

2003 Annual Report

THE CITY OF MEDICINE HAT



Medicine Hat
The Gas City

Medicine Hat, Alberta, Canada



Medicine Hat
The Gas City



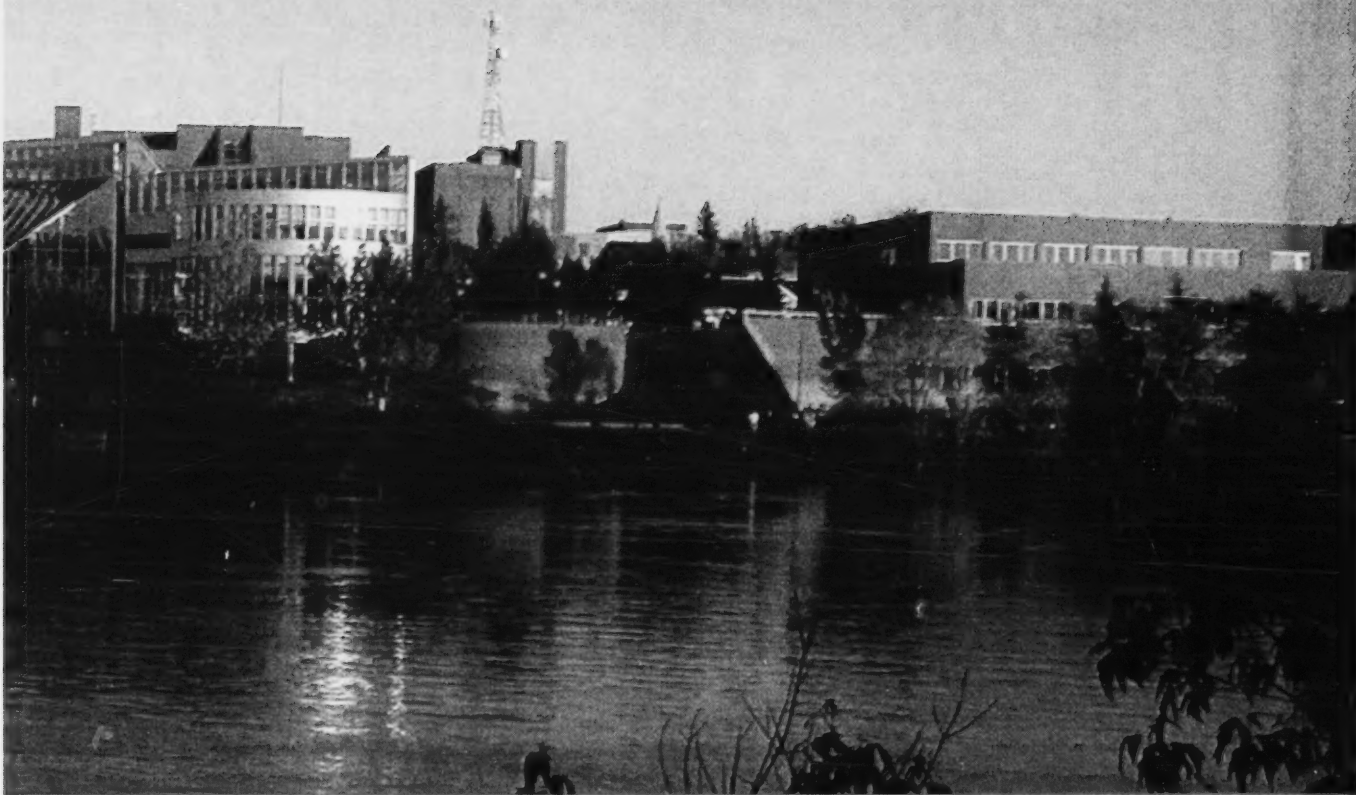
Photo courtesy of Impact Photography

MEDICINE HAT CITY COUNCIL

Top: Alderman Julie Friesen, Mayor Garth Vallely,
Alderman Cathy Smith
Middle: Alderman John Hamill, Alderman Harv Speers,
Alderman Bill Cocks, Alderman Wayne Craven
Bottom: Alderman Robert Dumanowski,
Alderman Duane Roset

OUR VISION

To be
**A COMMUNITY
OF CHOICE**



OUR MISSION

To EXCEED EXPECTATIONS
in the value OF OUR SERVICES

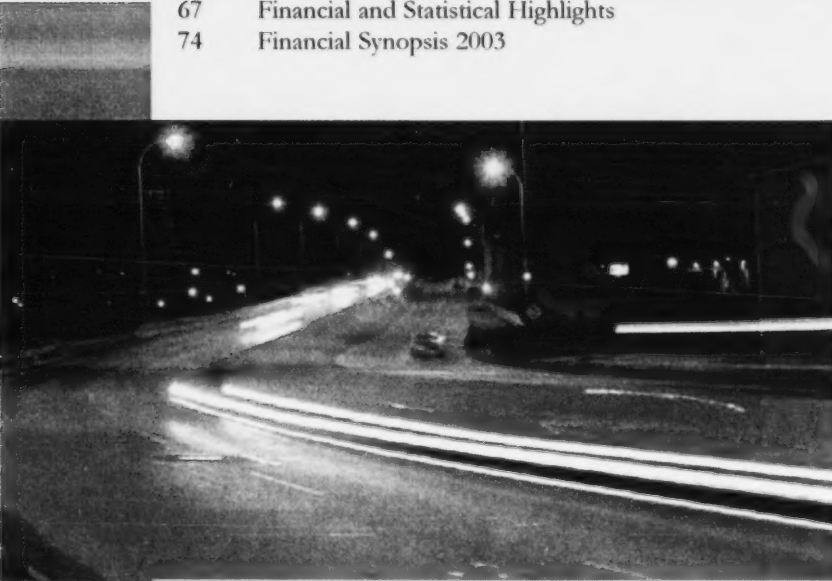
Table of Contents

GENERAL INFORMATION

- 3 A Community of Choice
- 4 Message from the Mayor
- 5 Message from the Chief Administrative Officer
- 6 Civic Government
- 7 Corporate Organization
- 8 Measuring our Performance
- 10 Measures of Success
- 12 Our Priorities
- 30 Excellence in Public Service

FINANCIAL INFORMATION

- 33 Treasurer's Report
- 33 Canadian Award for Financial Reporting
- 38 Financial Management and Control
- 39 Responsibility for Financial Reporting
- 39 Management's Report
- 39 Auditor's Report
- 40 Consolidated Statement of Financial Position
- 41 Consolidated Statement of Financial Activities
- 42 Consolidated Statement of Changes in Financial Position
- 43 Consolidated Capital Fund
- 44 Consolidated Operating Fund
- 45 Consolidated Reserve Fund
- 45 Consolidated Taxes Levied
- 46 Consolidated Statement of Government Transfers
- 46 Consolidated Expenditures by Object
- 47 Notes to Consolidated Financial Statements
- 67 Financial and Statistical Highlights
- 74 Financial Synopsis 2003



The City completed the \$14 million twinning of the Allowance Avenue Overpass in 2003.

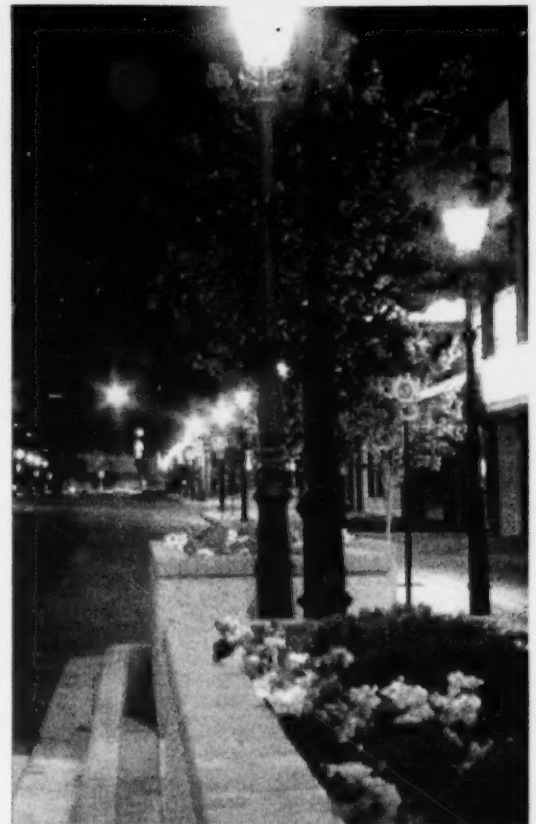
A Community of Choice

Medicine Hat is the economic hub of southeastern Alberta and southwestern Saskatchewan. It is approximately three hours from Calgary, 30 minutes from Saskatchewan, and one hour from the United States border. Medicine Hat sits at the crossroads of the Trans-Canada Highway and Highway 3, making it a natural interchange for people and resources moving between eastern and western Canada and the United States. Regional air service, international rail service, and high-speed telecommunications connect citizens and businesses to anyone, anywhere in the world.

Discover the MEDICINE HAT ADVANTAGE

- Our utility rates are the lowest in Canada. Medicine Hat is the only city in North America to own its own gas and electric production and distribution facilities, which provide economic benefits to utility customers and taxpayers, as well as incentives for industrial growth.
- Our municipal taxes are the lowest in Canada. Medicine Hat does not have a municipal business tax like many other Canadian communities.
- Our city is considered an 'Oasis in the Prairies' with extensive parks and natural spaces, and an impressive 90 kilometres of walking paths and trails.
- Our residents enjoy a high quality of life with warm summers, mild winters, and excellent recreational and cultural facilities.
- Our workforce is highly skilled and capable of meeting the challenges businesses face in a competitive marketplace.
- Our City-owned commercial and industrial land is available for expansion or new construction.

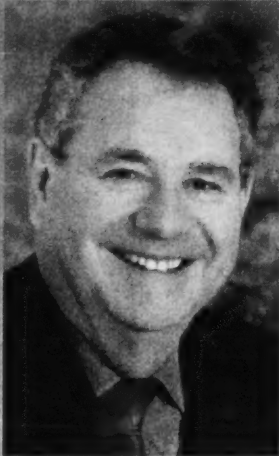
For more information on Medicine Hat, please visit the City's website:
www.medicinehat.ca



The vision for Medicine Hat's city centre is a clean, safe, and friendly place to shop, visit, work, and do business. The downtown is an exciting gathering place important to the whole city, as well as a distinct neighbourhood with unique housing opportunities.

Medicine Hat receives
2,512 hours of sunshine
annually, making it the
sunniest city in Canada!

MESSAGE FROM THE MAYOR



Garth Vallely
Mayor

A “Community of Choice” is our proudly declared vision for the City of Medicine Hat. It’s increasingly a reality for Medicine Hat as our population continues to grow and our economy thrives. Unemployment is well below five per cent. We had another record year in building permits. There was a 14 per cent increase in real estate sales over 2002. We started construction on a stunning arts and heritage centre that will enhance Medicine Hat’s appeal.

This has been another year of great accomplishments for the City of Medicine Hat. Council continues to be inspired by the potential of our City and we strive to work hard and do the best for this community.

Medicine Hat is a community with so much to offer. Besides warm, sunny summers and mild winters, it’s the friendliness of our residents, great outdoor experiences, and a quality of life that’s second to none. Medicine Hat residents and businesses experience the best energy prices in the country and one of the lowest municipal tax rates compared to similar-sized communities.

In order to maintain the “Medicine Hat Advantage,” Council continues to focus on eight key priorities: fiscal responsibility, sustainable utilities, sound infrastructure, economic development, communications and community relations, environmental stewardship, community development, and organizational strength.

We set out to accomplish a lot in 2003 and I believe we did what we said we were going to do. Among the achievements are the completion of the Allowance Avenue Overpass and the Carry Drive/Dunmore intersection.

Work is underway on a new Emergency Services facility. We remain committed to a sustainable environment and affordable housing with a \$500,000 contribution in land for affordable housing.

We said we were going to concentrate efforts on economic development. We established the Economic Development Alliance of Southeastern Alberta (EDA), which was instrumental in attracting a new airline, Peace Air, to Medicine Hat.

Council anticipates the year ahead will be just as exciting and we remain committed to working on your behalf to be a “Community of Choice.”

Garth Vallely

MESSAGE FROM THE CHIEF ADMINISTRATIVE OFFICER

A buoyant Provincial economy, interest in Medicine Hat by new residents and businesses, and the demand for better service – all encourage positive changes in the community and our City Corporation.

To the credit of a knowledgeable and dedicated staff, we have been able to keep pace with the needs of a growing community while focusing on City Council's key priorities. In 2003, we completed 650 new serviced lots in five subdivisions and processed development and building permits of more than \$114 million. City employees committed to respond to general inquiries within 48 hours and provide a resolution or explanation within 14 working days. Access to City information is now possible 24 hours a day, seven days a week through the City website.

The City of Medicine Hat developed a Going Green program that will contribute to the annual reduction of more than 13,000 tonnes of greenhouse gas emissions. Nitrogen dioxide and carbon dioxide emissions have been reduced with the installation of a new LM-6000 generator. The Esplanade, our new performing arts, museum, archives, and art gallery scheduled to open in the fall of 2005, will feature energy efficiencies.

The City, in partnership with local organizations, is constructing a new multi-use recreation and wellness facility. An emergency services facility supporting fire and disaster services is also under construction and scheduled to open in the fall of 2004.

Staff appreciates City Council's continued support for learning and growth. More than 114 employees participated in organizational and leadership programs. This shows a strong desire to be an "employer of choice" and to achieve our Mission "To exceed expectations in the value of our services."

Medicine Hat continues to enjoy a strong financial position. Property taxes and utility rates are the lowest in the province and our City does not have a municipal business tax. In 2003, assets grew to \$991 million, equity increased to \$766 million, and total debt outstanding and debt serving costs are well below the limits set by the Province. This City has energy and momentum that translate into tremendous opportunities and an exciting future.



Gerry Labas
Chief Administrative Officer

Getting the job done

CIVIC GOVERNMENT

CITY COUNCIL is made up of a Mayor and eight Aldermen. Council is responsible for developing and evaluating the policies and programs of the municipality, and delegating the responsibility for carrying out those policies to Administration. Regular Council meetings are held on the first and third Mondays of each month.

There are four

STANDING COMMITTEES OF COUNCIL:

- Corporate Services Committee
Alderman Bill Cocks, Chairman
- Public Services Committee
Alderman Julie Friesen, Chairman
- Utilities Services Committee
Alderman Wayne Craven, Chairman
- Administrative and Legislative Review Committee
Alderman Robert Dumanowski, Chairman

ADVISORY BOARDS AND COMMISSIONS:

- Urban Environment and Recreation Advisory Board
- Municipal Planning Commission
- Subdivision and Development Appeal Board
- Police Commission
- Cultural Development Advisory Board
- Social Development Advisory Board
- Assessment Review Board
- City Centre Development Agency

OTHER ORGANIZATIONS WITH COUNCIL REPRESENTATION:

- Medicine Hat Exhibition and Stampede
- Medicine Hat Regional Social Housing Agency
- Cypress View Foundation
- Shortgrass Library System
- Tourism Medicine Hat Committee
- Medicine Hat Public Library
- Medicine Hat Museum and Art Gallery

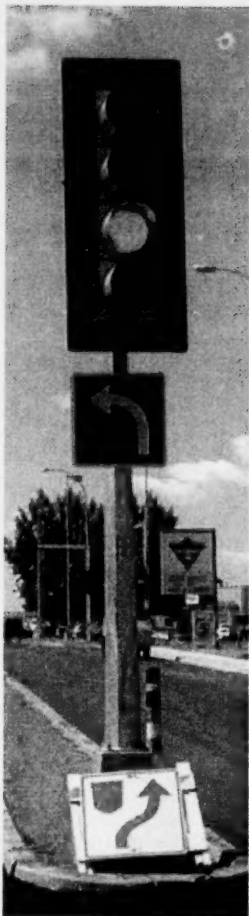


EXECUTIVE TEAM

BOARD OF COMMISSIONERS

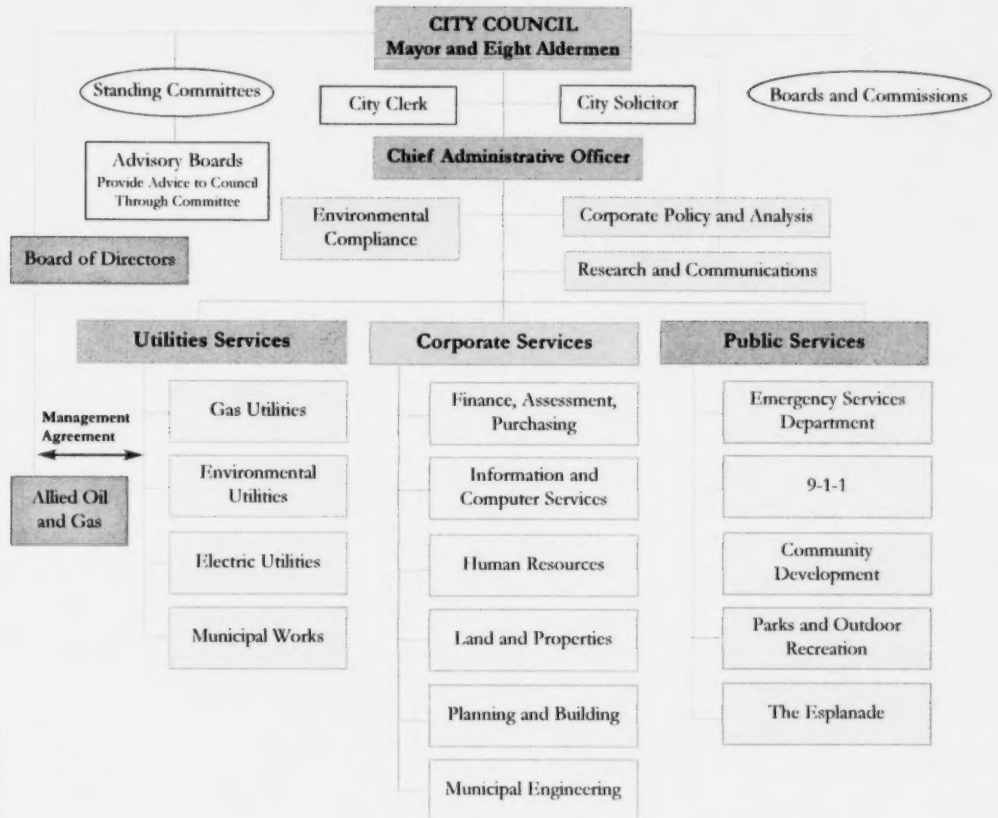
The **CHIEF ADMINISTRATIVE OFFICER** (CAO) is the administrative head of the City. The CAO is the chairman of the Board of Commissioners and is responsible for the overall leadership and management of all executive policies of City Council and for all administrative matters.

The **BOARD OF COMMISSIONERS** operates both as a Special Committee of Council, recommending policies and programs requested by Council or considered advisable by the CAO, and as an Executive Team handling administrative matters that impact the Corporation or other Divisions. The Team provides the Mayor and senior management with a forum to discuss and consider administrative matters; review items requiring Council approval; and seek consensus on items impacting the Corporation or other Divisions.



Together

CORPORATE ORGANIZATION



The **EXECUTIVE TEAM** includes the Mayor, CAO, Commissioners, and other designated officers.



Seated (L to R):
Mayor Garth Vallely;
Gerry Labas, Chief Administrative Officer and
Commissioner of Utilities Services
Standing (L to R):
Ray Gilmour, Commissioner of Corporate Services;
Robert (Bob) E. Wanner, Commissioner of Public Services;
Larry Godin, City Clerk;
John Hughes, City Solicitor

How we are doing

MEASURING OUR PERFORMANCE

SUCCESS...it is what every individual and every organization strives to achieve. It does, however, have different meanings to different people.

For Medicine Hat, it means the Community and Council working together to fulfill the vision of a vibrant city, with residents, businesses, and visitors seeking to make Medicine Hat their "Community of Choice."

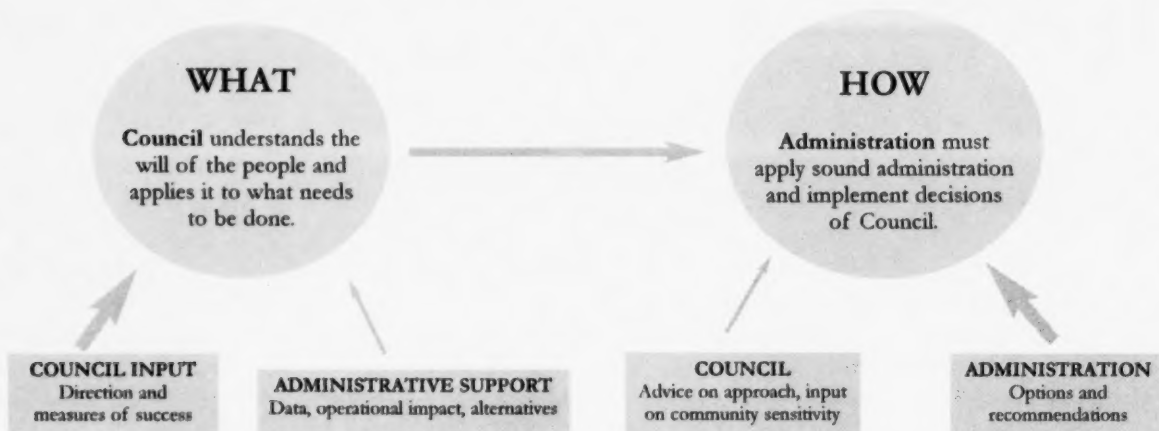


Source: Gerry Labas

In pursuit of this vision, Council is committed to a mission of exceeding the expectations of our residents, businesses, and visitors. In addition, Council developed Guiding Principles, Core Values, and eight key Priorities. By first stating WHAT we want to be, and then establishing HOW we plan to achieve the vision, Council provides Administration with a framework to achieve the vision. It also provides taxpayers and ratepayers with a framework to hold Council and Administration accountable.

Achieving the 'WHAT' and the 'HOW'

Administration recognizes that in order to be successful in achieving the vision, it must understand the "what" in order to properly deliver the "how." To do this, we must be clear about the **ROLES AND RESPONSIBILITIES** of Council and Administration.



There are two key ingredients to making a contribution: A degree of understanding of the subject matter, and a willingness to consider options with an open mind.

Source: Gerry Labas

'We are successful when...'

Our core set of **MEASURES OF SUCCESS** help departments and business units manage and improve performance.

FINANCIAL

- Continue to deliver tax-supported operations within approved budget limits.
- Land and Utilities continuously meet or exceed operating plan goals/objectives.
- All departments strive for top quartile performance.

RESIDENTS

- Continue to improve annual stakeholder inclusiveness, understanding, and satisfaction.
- Continue to focus on service quality to customers/residents - getting it right the first time.
- Continue to demonstrate the "Medicine Hat Advantage."

INTERNAL BUSINESS PROCESSES

- Annually improve business processes that affect our residents.
- Achieve major positive impacts through the redesign of selected processes offering high potential.

LEARNING AND GROWTH

- Achieve annual improvements over the 2000 Employee Survey benchmarks.
- Continue to grow the talent level and knowledge base of our workforce with an eye to succession.

ANNUAL OPERATING PLANS

- Operating Plan targets are achieved.
- Progress is made with respect to Council's priorities.

GUIDING PRINCIPLES:

- Providing strong and effective leadership
- Working together with a unified purpose

CORE VALUES:

- Innovation, creativity, and diversity
- Openness, debate, and participation
- Performance and results
- Being proactive
- Balanced and responsible development
- A long-term perspective
- Well-being of residents and employees
- Principle of self-determination for our community
- Continuous learning and staff development

PRIORITIES:

- Fiscal Responsibility
- Sustainable Utilities
- Sound Infrastructure
- Economic Development
- Communications and Community Relations
- Environmental Stewardship
- Community Development
- Organizational Strength





MEASURES OF SUCCESS

Measures of Success provide performance expectations in City departments and business units in the following areas:

FINANCIAL

RESIDENTS/
CUSTOMERS

FINANCIAL - AFFORDABLE, WELL-MANAGED SERVICES

2003 STRATEGIES AND GOALS WHAT WE SAID WE WERE GOING TO DO

Continue to deliver tax-supported operations within approved budget limits.

- Tax-supported operations deliver services within approved revenue and expenditure budgets.
- Responsible planning occurs to address additional operational costs associated with planned major capital projects including exploration of new revenue opportunities.
- \$/capita spent on various tax-supported operations remain comparable to peer municipalities.

Land and Utilities continuously meet or exceed operating plan objectives.

- Utilities continue to achieve equity growth and provide dividends that escalate at three per cent annually.
- Gas and Electric to achieve "industry comparable" rates of return on equity.
- Add gas supply to maintain a 10-year reserve life index.
- Electric generation equivalent availability index over 90 per cent.
- Water and sewer rates remain below the provincial averages.
- 4.5 per cent annual reduction to municipal waste per person handled at the Landfill.
- Land sells at least 150 residential lots, maintains an inventory of 300 serviced residential lots and achieves a return on equity of 15 per cent.

All departments strive for top quartile performance.

- Develop improved performance measures in all departments linked to the Strategic Plan.

2003 RESULTS WHAT WE DID

- Total tax-supported operations were under budget by \$1.3 million.
- Overall investment portfolio return was 4.11 per cent (benchmark 3.51 per cent).
- Protective Services was under budget by \$53,000.
- Community Development's revenue to cost ratio was 35.71 per cent (target 25 per cent).
- Transit revenue increased by 10 per cent or \$94,000, mainly due to additional charters, pass and tickets sales, and special transit demands.
- Recreation fee revenue increased by 12.85 per cent or \$282,000 due to concession sales, fees, and facility rentals.
- Parks and Outdoor Recreation was under budget by approximately \$38,000.
- Created a long-range financial plan for sustainable utilities.
- Parks and Outdoor Recreation reduced unit costs for tree pruning by approximately 66 per cent.
- Environmental Utilities provided \$588,000 in dividends.
- Water costs for residents were 58 per cent of the provincial average; medium commercial businesses were 36 per cent of the provincial average.
- Sewer costs for residents were 80 per cent of the provincial average; medium commercial businesses were 71 per cent of the provincial average.
- Exceeded the 2003 community waste diversion program goal. Residential and commercial waste buried at the landfill was 11.8 per cent less than expected.
- Dividend from the Gas Utility to the tax-supported operation was \$21.1 million. Net Earnings of \$100 million on Total Net Revenue of \$158 million. Return on Equity of 21 per cent.
- Received the Government Finance Officers Association Award for Excellence in Financial Reporting for the 2002 financial report section of the annual report.
- A new photo radar supplier will cut costs by \$140,000 per year.
- Land sold 152 properties, had a year-end inventory of 67 lots, and achieved a net income of \$6.4 million.

2004/2005 STRATEGIES AND GOALS WHAT WE PLAN TO DO

Continue to deliver tax-supported operations within approved budgets.

- Introduce multi-year, zero-based budgeting.
- Use responsible planning to address additional operational costs for planned major capital projects.
- Explore new revenue opportunities.
- Consider potential savings of using other service providers.
- Keep dollars per capita spent on tax-supported operations comparable to peer municipalities.

Land and Utilities meet or exceed operating plan objectives.

- Continue to invest in oil and gas assets, expanding the operation into "non traditional" operations, to achieve a 10 per cent return on the entire energy investments portfolio.
- Work towards achieving a revenue/cost ratio of one for rates of return on equity for the Gas and Electric Utilities.
- Electric generation equivalent availability index over 90 per cent.
- Keep water and sewer rates below the provincial averages.
- Reduce municipal waste buried at the landfill by 4.5 per cent.
- Land sells at least 150 residential lots, maintains an inventory of 300 serviced residential lots, and achieves a return on equity of 15 per cent.
- Continue the process of raising distribution rates to ensure sustainability in the Gas Utility operation, encourage conservation of the resource, and ensure future rate stability.
- Continue to work at establishing PRODCO and DISCO, rather than the single entity known as the Gas Utility.

All departments strive for top quartile performance.

- Develop improved performance measures in all departments linked to the Strategic Plan.

RESIDENTS/CUSTOMERS - STAKEHOLDER SATISFACTION THROUGH QUALITY SERVICE DELIVERY

2003 STRATEGIES AND GOALS WHAT WE SAID WE WERE GOING TO DO

Continue to improve annual stakeholder inclusiveness, understanding, and satisfaction.

- Establish customer satisfaction benchmarks in several key service areas and continue to develop specific feedback mechanisms to gauge service effectiveness.
- Continue to enhance the public consultation and information processes for better informing the public.
- Meet with developers, builders and other key stakeholders in the municipal development process at least bi-annually.

Continue to focus on service quality to customers/residents - getting it right 'the first time.'

- Meet 2003 service targets (at a minimum) and adjust as required to maintain top quartile performance.

Continue to demonstrate 'Medicine Hat Advantage.'

- Design and begin construction of The Esplanade, Emergency Services Station and South Ridge Recreation Facility.

2003 RESULTS WHAT WE DID

- Completed Allowance Avenue Overpass.
- Provide residents and businesses with electronic access to information 24 hours per day, seven days per week.
- Public consultation and/or open houses held on housing, youth issues, adult materials, pedestrian crossings, skateboarding, neighbourhood parks, transit, Municipal Servicing Standards Manual, Municipal Development Plan, Management of Natural Areas, parking, and the Roadway System Master Plan.
- Used the "2 x 14 day model" to respond to inquiries within two days, provide information requested within 14 days.
- Created a Treasury - Year In Review brochure.
- Construction started for The Esplanade to open fall/winter 2005.
- Construction started for the South Ridge Recreation Centre to open fall/winter 2004.
- Medicine Hat Regional Airport installed x-ray and screening security equipment to improve passenger services.
- Design phase and site selection completed for a new Emergency Services Station.
- Planning and Building began implementing the new Permits Approval and Tracking System. Once fully implemented in 2005, customers will be able to apply for permits, as well as check the approval/inspection status of projects, online.
- Medicine Hat has the lowest crime rate among five cities.
- Advisory boards and committees provide input to Council.
- Electric Utility expanded service and outage response protocol to improve service to 350 customers in Tower Estates.
- New web pages created for the Cultural Centre, Veimer Centre, Municipal Engineering Department, Transit, and ice rinks.
- Created a Parks and Trails map and distributed brochures on West Nile virus and water conservation.
- Undertook services satisfaction studies for Transit, Senior Services, Community Worker Program, ice arenas, and aquatics.
- All scored in high 90 percentile of satisfied customers.
- Medicine Hat has the lowest combined municipal property tax and utility charges in Canada.
- User fees were 95 per cent of comparable cities in Alberta.
- Off-Site Levy and Service Agreement fee structures are significantly lower than industry averages.
- Gas Utility rates for residential customers are approximately 50 per cent and commercial rates are approximately 65 per cent of comparable market. All-in-average Electric Utility costs were 53 to 73 per cent, depending on customer class, compared to Alberta city averages.
- Municipal revenue from property taxes is less than 30 per cent (Alberta city average is more than 40 per cent).

2004/2005 STRATEGIES AND GOALS WHAT WE PLAN TO DO

Continue to improve annual stakeholder inclusiveness, understanding, and satisfaction.

- Establish customer satisfaction benchmarks in key service areas and feedback mechanisms to measure quality of service.
- Enhance the public consultation and information processes for informing and gathering input from the public.
- Meet with developers, builders and other key stakeholders in the municipal development process at least bi-annually.
- Improve two-way communications with residents.

Continue to focus on service quality to customers/residents - getting it right 'the first time.'

- Meet 2004 service targets (at a minimum) and adjust as required to maintain top quartile performance.
- Complete and introduce into daily operation the GIS Mapping system, with the elimination of the manually updated mapping system, and network modeling of the entire gas operation.

Continue to demonstrate 'Medicine Hat Advantage.'

- Complete construction of The Esplanade, Emergency Services Station, and South Ridge Recreation Facility.
- Compare taxes, rates, and fees with other communities to ensure the City's attractive position is maintained.
- Introduce formalized "cost of service" principles into the rate making process for Gas Distribution customers.

INTERNAL BUSINESS
PROCESSES

ORGANIZATIONAL LEARNING
AND GROWTH



INTERNAL BUSINESS PROCESSES - IMPROVING HOW WE PROVIDE OUR SERVICES

2003 STRATEGIES AND GOALS WHAT WE SAID WE WERE GOING TO DO

Annually improve business processes that affect our residents.

- Improve efficiencies of at least one operating process annually in each department.
- Focus specifically on reducing barriers to doing business in Medicine Hat.
- Identify new partnerships in the delivery of services.
- Introduce an extended five-year maintenance plan for aging infrastructure.

Achieve major positive impacts through the redesign of selected processes offering high potential.

- Combine Fire and Emergency Medical Services into an Emergency Services Department.
- Target significant cost savings or service quality improvements (>50%) on high priority processes selected through the Planning and Budget Processes.

2003 RESULTS - IMPROVING OUR SERVICES WHAT WE DID

- Introduced Medicine Hat's first multi-year budget.
- Police Service started a drug tip line.
- Police Service's Criminal Intelligence Unit set up timely reporting to keep members informed of criminal activity.
- Police Service trained an in-house staff member to maintain systems that minimize contract services cost.
- Created an Environmental Compliance Office.
- Electric Utility eliminated 30 work orders per year by using standard charges for the service of escorting oversized load transports on roadways.
- Introduced a replacement plan for technological equipment.
- Developed unit operating costs for Transit.
- Implemented new Meter Records System eliminating manual updating of system.
- New LM-6000 electrical generation turbine installed. It is 30 per cent more efficient than the equipment it replaced.

- Converted three Residential Recycling Depots to improve customer service and reduce operating costs. An additional benefit was improved access for persons with disabilities.
- Improved road maintenance by developing benchmarks for road types (residential, collector, arterial and primary highway connectors).
- Transferred marketing and management of downtown parking to the City Centre Development Agency (CCDA), which best understands and has the resources to meet the needs of the downtown community.
- Implemented plan to combine Fire and Emergency Medical Services into one department.

2004/2005 STRATEGIES AND GOALS WHAT WE PLAN TO DO

Annually improve business processes that affect residents.

- Improve efficiencies of at least one operating process in each department.
- Reduce barriers to doing business in Medicine Hat.
- Identify new partnerships in the delivery of services.
- Introduce an extended five-year maintenance plan for aging infrastructure.
- Hold sessions on multi-year strategic planning.

Achieve major positive impacts by redesigning selected processes offering high potential.

- Target significant cost savings or service quality improvements (>50%) on high priority processes selected through the planning and budget processes.

ORGANIZATIONAL LEARNING AND GROWTH - SUPPORTING A STRONG WORKFORCE

2003 STRATEGIES AND GOALS WHAT WE SAID WE WERE GOING TO DO

Achieve annual improvements over the 2000 Employee Survey benchmarks.

- Make measurable progress towards an overall 95 per cent employee satisfaction rating.
- Build upon the Employee Recognition Program by increasing overall staff awareness and ensuring alignment with stated organizational values.
- Improve the process for developing job descriptions so they are more suitable for use in recruiting, determining compensation levels and defining work expectations.
- Maintain levels of safety inspections and training sessions.

Continue to grow the talent level and knowledge base of our workforce with an eye to succession.

2003 RESULTS - SUPPORTING OUR STRATEGIES WHAT WE DID

- Various departments and services initiated health and wellness programs and activities.
- Various departments used the Employee Recognition Program to recognize employee achievement.
- Developed Purpose, Values and Vision for the 9-1-1 Communications Centre.
- Introduced achievement-planning process within various departments.
- Training was held for cultural staff to prepare for the transition to The Esplanade.
- Held 14 computer training classes attended by 100 employees.
- Held two personal leadership programs (40 staff), three workgroup leader programs (56 supervisors), and one organizational leadership program (18 Commissioners and General Managers). Excellent feedback received on program quality and relevance.
- Hosted Retirement and Long Service Awards Banquet recognizing 17 retirees and 37 staff with 25 or more years of service.
- Ratified new collective agreements with CUPE and Police Service.

- Developed new employee orientation program.
- Started new Attendance Support and Assistance Program with the goal of reducing the cost of sick-related days off.
- Municipal Engineering provided staff training to achieve an engineering "Centre of Excellence" and position itself for top quartile performance.
- Organized strategic planning and team development sessions in both Gas Distribution and Gas Production.
- Parks and Outdoor Recreation hosted two major conferences: International Society of Arboriculture - Prairie Chapter, and the Alberta Recreation and Parks Association. Both provided excellent opportunities for practitioners and professionals to learn, grow, and network.
- Gas Distribution staff completed the upgrading and enhancement of an internal training program to include new technology and modification of existing activities.
- Completed Benefit Plan revisions and implemented changes.

2004/2005 STRATEGIES AND GOALS WHAT WE PLAN TO DO

Employees are empowered to help create the most effective organizational culture.

- Provide regular, ongoing opportunities for employees to give feedback and provide input on workplace matters.
- Increase staff awareness and understanding of corporate values, plans, policies, and processes.
- A high percentage of employees are satisfied with how the corporation shares information that personally impacts them.

Maintain effective hiring practices to bring the best people into the organization and keep them.

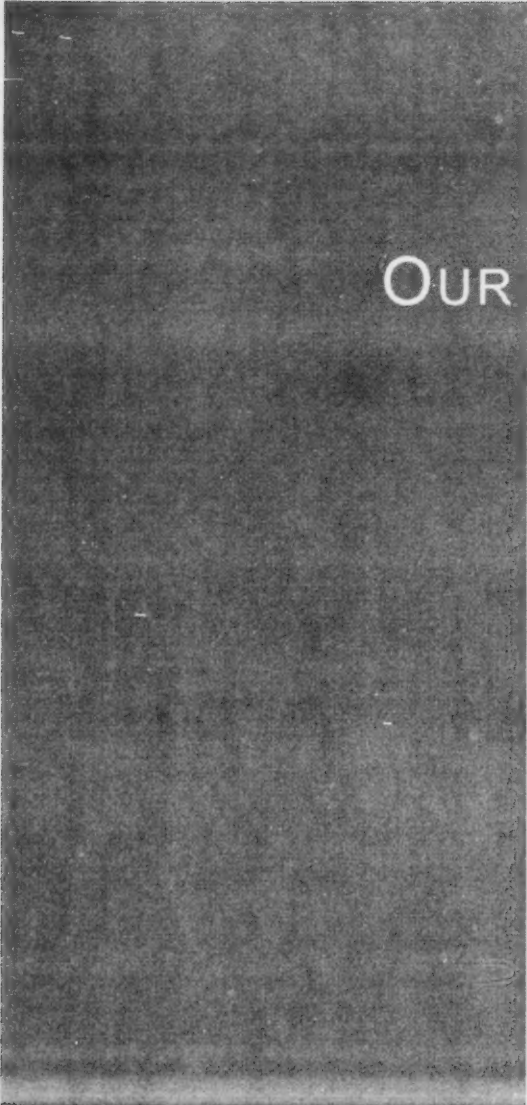
- Support hiring/promotional practices that align employees' values/skills with the organizational values/needs.
- Develop proactive succession planning strategies to address significant turnover expected in the next 2-8 years.
- Expand opportunities for workplace flexibility.

Continue to build corporate strength through development of our people.

- Continue leadership development strategies including increasing competency among those tasked with formal leadership roles.
- Encourage and support technical training opportunities.
- A high percentage of employees indicate satisfaction that personal development opportunities support their career development.

Promote all aspects of employee well-being.

- Work towards reducing workplace injuries to no more than two lost time incidents per 100 FTEs annually.
- Initiate and support wellness initiatives to support employees and decrease absenteeism.



OUR PRIORITIES

- ✓ **Fiscal Responsibility**
- ✓ **Sustainable Utilities**
- ✓ **Sound Infrastructure**
- ✓ **Economic Development**
- ✓ **Communications and
Community Relations**
- ✓ **Environmental Stewardship**
- ✓ **Community Development**
- ✓ **Organizational Strength**





FISCAL RESPONSIBILITY

Council strives to ensure that services provided by the City of Medicine Hat are affordable and well-managed. Strategies in this regard work towards attractive taxation, utility rates, and user fees, balanced with the need to maintain a growing infrastructure and ongoing service quality.

An oil well outside Medicine Hat.

Medicine Hat continues to be the envy of many municipalities across Canada. The City has the lowest property taxes and utility rates in the province. Medicine Hat has \$441 million of equity in its utilities. Our assets have grown by 7.5 per cent over last year to \$991 million and total equity is up 8.9 per cent to \$766 million. Our efforts in getting this information to the public have not gone unnoticed. The Government Finance Officers Association gave the City of Medicine Hat an award for excellence in financial reporting for its 2002 financial report.

TAXES

Medicine Hat continues to have the lowest municipal property tax in the province. For an average residential property, Medicine Hat residents pay approximately \$751 in taxes - the lowest rate compared to 14 other Canadian cities. Unlike many other Canadian communities, Medicine Hat does not have a municipal business tax, making it a desirable location for business.

NEW REVENUES

Council committed to exploring new opportunities to increase revenues by expanding existing services that can generate new income. In an effort to offset the construction costs of The Esplanade, the City is pursuing a major fundraising campaign, which is expected to raise \$3.5 million between the summer of 2004 and the opening of the new arts and heritage centre in late 2005. A partnership approach on the South Ridge Recreation Centre contributed \$2.3 million of the \$4.8 million construction cost and will also control some future operating costs.

DEBT

The City understands that debt is an appropriate capital financing mechanism as long as the "debt level" is well managed and there is sufficient cash flow to service the debt. In 2003, the total debt outstanding and debt servicing costs were well below the debt limits established by the province.

LONG-TERM BUDGET PLANNING

Council initiated a review of its budget process to improve the time it takes to prepare the budget and report to the public. It set a goal of establishing multi-year budgets by 2004. Budget planning includes preparation and approval of multi-year budgets for both the tax-supported and utility operations for 2004-2005. In addition, the City developed a five-year business plan to address revenue requirements and cost control to ensure long-term financial strength of the utilities.

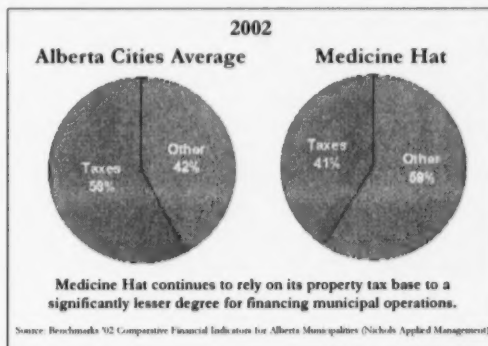
ASSET MANAGEMENT

The City continues to manage its land, water, and energy assets to ensure a lasting return on its investment. The City increased the cost of natural gas charged to its Gas Distribution customers twice in 2003 to begin to deal with a growing revenue imbalance caused by sourcing and delivering the natural gas product to customers.

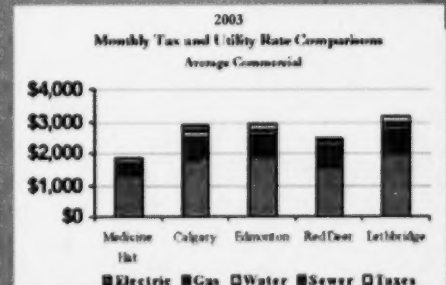
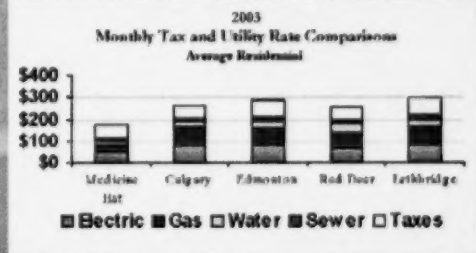
COMPARATIVE ANALYSIS

The "Medicine Hat Advantage" is important to the City to ensure our attractive position remains year after year. The advantage is a low cost, high quality standard of living compared to other communities in Canada. The City regularly compares its taxes, utility rates, and user fees to continue to make Medicine Hat a "Community of Choice."

Tax-supported expenditures continue to be comparable with peer municipalities in the province. Electric Utility rates are still the lowest in Alberta; Medicine Hat customers, on average, paid 65 per cent of the Alberta market average. The Electric Utility's costs of providing service is 85 per cent of the Alberta average. Water costs for residents and medium commercial businesses were 58 and 36 per cent of the provincial average respectively. Sewer costs for residents and medium commercial businesses were 89 and 71 per cent of the provincial average respectively. Residential garbage collection costs were 79 per cent of the provincial average, commercial costs were 65 per cent, and landfill-tipping fees were 40 per cent.



Medicine Hat is known for its multitude of gas lamps in the downtown core.



SUSTAINABLE UTILITIES

Medicine Hat's enviable cost of living continues to be supported through the ownership and careful management of its stand-alone enterprises. These include Gas, Electric, Water, Sewer, and Solid Waste Utilities, plus the Land and Properties Department. By pursuing strategies that promote sustainable growth, ensuring appropriate infrastructure maintenance and replacement, and seeking out alternative revenue options, Council can continue to offer attractive utility rates and use sales proceeds to generate annual dividends to offset the requirements for property taxes.

The new LM-6000 turbine.

SUSTAINED GROWTH

Council's policy for sustainable utilities is realizing the long-term stability of all City utilities, including financial practices that promote sustained growth. Council developed a strategic vision for the Gas Utility, which oriented its future investment activities toward a 10 per cent return on investment for the energy portfolio. In addition, the City completed a financial plan to ensure the Gas Utility remains financially viable and competitive for the long term.

The goals and strategies for the Electric Utility Generation and Distribution companies were clarified and a five-year plan adopted. The plan is to increase rates and tackle cost challenges to achieve a revenue to cost ratio of one within five years. The five-year return on equity goals are 10 per cent for Generation and eight per cent for Distribution, which result in an annual equity dividend of 6.7 per cent.

The City began preliminary planning for the new South Sector natural gas pipeline to source and deliver energy and support growth along South Boundary Road to the Southland area. Construction is scheduled to begin in 2005.

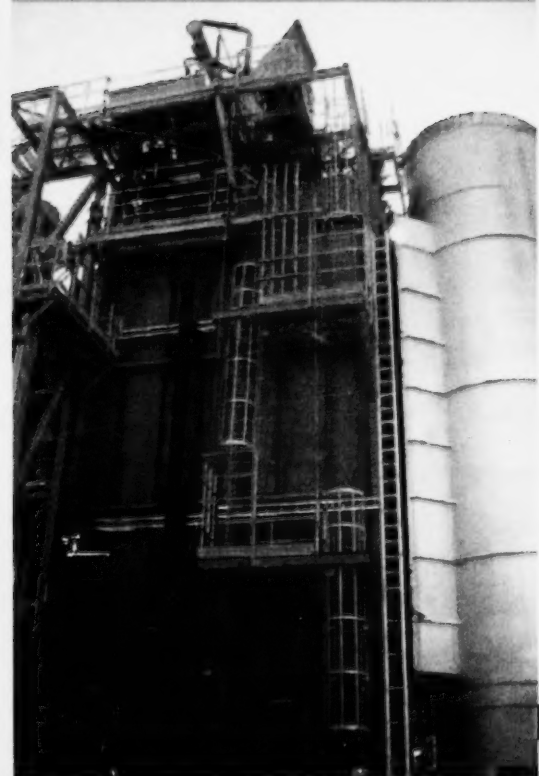
The Environmental Utilities Department did a water demand study to set a consumption baseline so the Water Treatment Plant expansion can address expected community growth.

REVENUE OPTIONS

As part of the City's exploration of alternative revenue options for utilities, the Environmental Utilities Department started plans for the construction of a special non-hazardous industrial waste cell. It also negotiated a new partnership for expanded industrial frac sand recycling to generate new revenue opportunities for the Landfill.

REPLACEMENT AND REGULAR MAINTENANCE

The City supports a policy of preventative maintenance, timely repair of infrastructure, and replacement of outdated equipment and systems as it works to meet its priority of sustainable utilities. A major milestone was achieved in 2003 with the installation of a state-of-the-art, high-efficiency turbine to generate electricity. The new LM-6000 turbine is 30 per cent more efficient than the aging equipment it replaced. It is equipped with dry low emissions technology that reduces nitrogen dioxide to 15 parts per million (ppm) compared to the 160 ppm from the generator it replaced. In 2004, the City expects to save \$3.7 million in operating costs with the new generator.





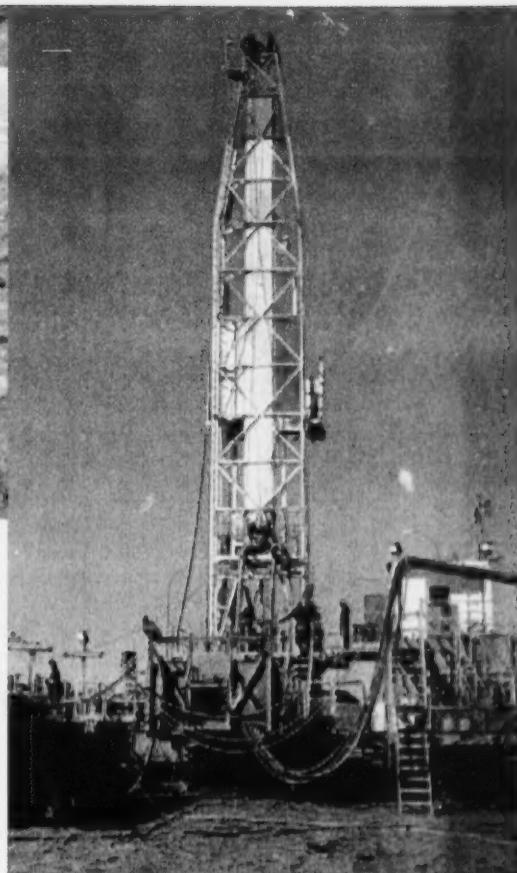
DID YOU KNOW?

The average Medicine Hat household consumes 700 kilowatt-hours of electricity per month - enough energy to power a 40-watt lightbulb for almost two years.

The reliability of the Electric Utility generation company infrastructure was 96.6 per cent, an improvement over 2002 continuing the upward trend over the past five years. Two combustion turbines underwent major hot section overhauls after achieving 30,000 operating hours to ensure continued operation.

In 2003, the Environmental Utilities Department completed upgrades to 3,100 metres of sewer infrastructure to support the city's active growth.

To arrest its natural, year-over-year production decline, the Gas Utility continued infrastructure replacement projects in both Production and Distribution, where the condition or capacity of the plant required changes. For example, the Gas Utility installed two new gas compressor stations at Delta North and Bindloss to provide additional production from existing properties, and upgraded the newly acquired Atlee Buffalo and Atlee East facilities to improve efficiency of both plants. The Utility also drilled 168 wells and participated in the drilling of another 49 wells.



Top Left: The Gas Utility works at the corner of 7th Street and Division Avenue.
Top: A drilling rig located at the southeast corner of the Trans-Canada Highway and 13th Avenue SE intersection.
Bottom: Gas Production staff put the Atlee East compressor station facility.



SOUND INFRASTRUCTURE

Sound infrastructure not only supports the quality of life for the residents of Medicine Hat, but is a significant contributor to the economy as well. Through wise expenditure of public funds on maintenance and replacement initiatives, as well as strategic investment in new infrastructure, City Council strives to provide a strong base from which the community can thrive and grow. An appropriate balance among transportation systems, pedestrian corridors, buildings, facilities, and amenities is continually sought.

Top: Residents board a Transit bus.
Bottom: Municipal Works installs a sidewalk on Carry Drive by the Dunmore intersection.



The City understands that planning ahead is a good business practice for achieving success. To that end, the City initiated the Roadway System Master Plan, 13th Avenue Functional Planning Study, and South Ridge Drive Functional Planning Study, as well as storm water planning to support Council's priority of sound infrastructure.

STREETS AND PEDESTRIAN SYSTEMS

Council understands the maintenance of sidewalks and streets is a priority for most Medicine Hat residents. In keeping with the City's sound infrastructure priority, the Municipal Works Department improved roadways and pedestrian walkways, and upgraded intersections so increased traffic volumes and safety concerns were addressed. The City spent \$14 million to twin the Allowance Avenue Overpass. Upgrades to Dunmore Road and Carry Drive were completed, including installation of a sidewalk from Carry Drive to 13th Avenue to fulfill the commitment to provide pedestrian linkages through the City. The pedestrian linkage initiative was a three-way partnership with the City, and Federal and Provincial governments. Each funded a third of the total \$285,000 cost.

The City annually tests a third of the road network. Approximately \$300,000 was spent on sidewalk replacements, and \$700,000 was spent on asphalt overlays (75 per cent was subsidized by Alberta Transportation).

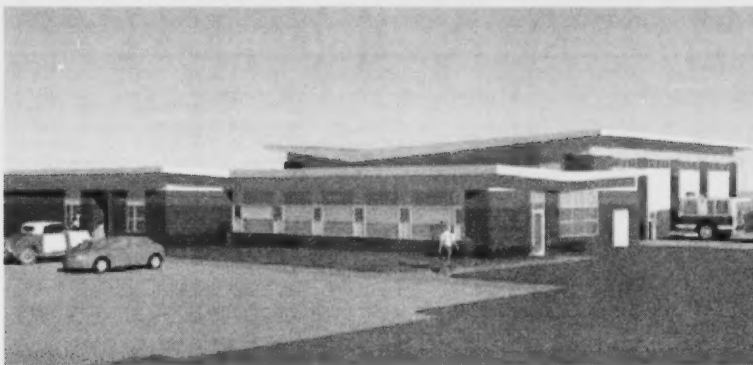
INFRASTRUCTURE REPLACEMENT

When infrastructure becomes outdated, it is no longer economical to maintain it. Therefore in 2003, the City analyzed its buildings infrastructure as part of a Realty Asset Management Plan. The Plan effectively manages the acquisition, development and disposal of City-owned facilities for the next 20 years. The plan will be completed in 2004.

BUILDINGS, FACILITIES, AND AMENITIES

The City develops and maintains:

- approximately 243 hectares of traditional park land
- 1,458 hectares of environmental reserve and natural areas
- 28,000 trees
- 90 kilometres of pathways, irrigation systems, and parks amenities, including 82 playgrounds, 48 sports fields, 53 ball diamonds, and 11 sets of tennis courts



- 28 Transit vehicles
- 1,000 lane kilometres of roads
- 500 kilometres of sidewalks
- 19 bridges
- 41 signalized intersections
- 166 kilometres of storm lines
- 176 City-owned buildings
- 495 acres of airport property
- 725 Fleet vehicles

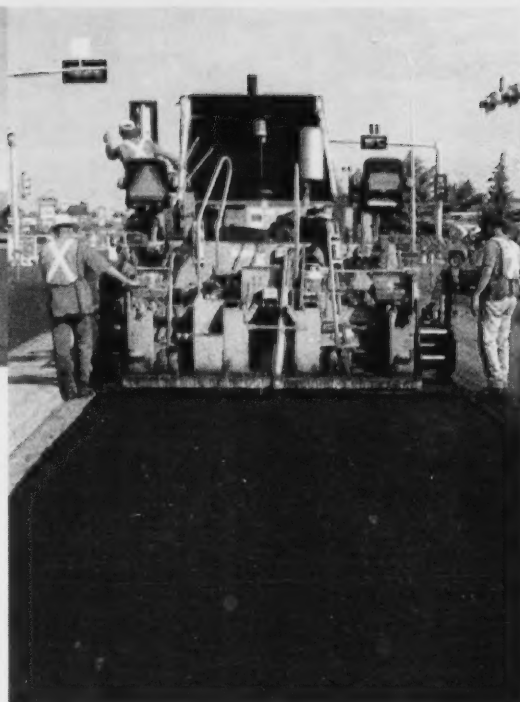
The City also operates a full-service campground and provides cemetery services, involving approximately 370 interments annually.

INVESTING FOR THE FUTURE

Council recognizes investments in new infrastructure stimulates economic and community development, and enhances the quality of life. An exciting new chapter in the history of Medicine Hat started in 2003 with the beginning of construction on the new arts and heritage centre - The Esplanade. The Esplanade is a community enterprise that will become a reality when the doors officially open in 2005 in conjunction with the Province's centennial.

Medicine Hat began construction of a new multi-use recreation and wellness facility. The South Ridge Recreation Facility is a partnership consisting of the City of Medicine Hat, Medicine Hat Catholic Board of Education, Medicine Hat School District #76, Medicine Hat Family YMCA, and Southridge Community Association. The facility, which is scheduled to open in 2004, will include multi-purpose rooms, weight and cardio rooms, as well as volleyball, basketball, tennis, and badminton courts.

An Emergency Services Functional Study undertaken in 2003 identified the need to build an additional emergency services facility in the south area of the city. The new \$3 million station will have eight emergency vehicle bays, offices, and a multipurpose meeting and training space. It is scheduled to open in the fall of 2004.



Top Left: Artist's conceptual drawing of the new Emergency Services facility scheduled to open in the fall of 2004.
Top: Municipal Works paves Dunmore Road by the Carry Drive intersection.

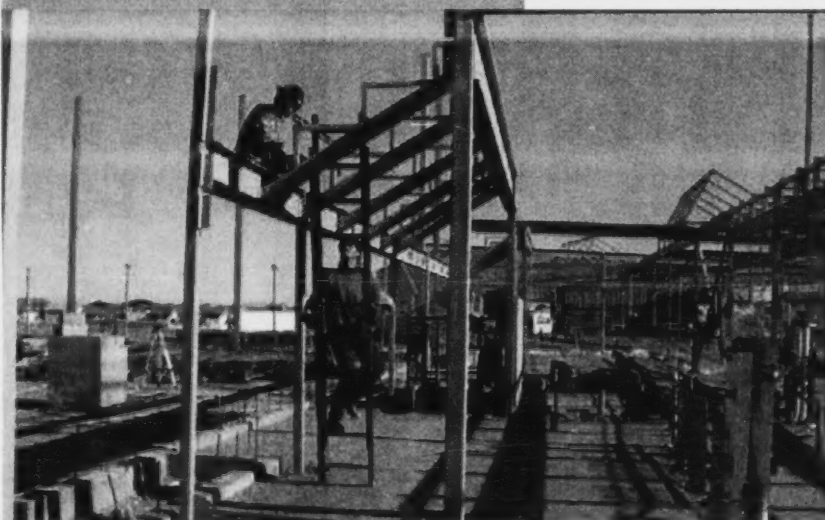
DID YOU KNOW?

In 2003, Medicine Hat completed \$18 million worth of major road projects. Municipal Works develops and maintains 1,000 lane kilometres of roads, 500 kilometres of sidewalks, 19 bridges, 41 signalized intersections, 166 kilometres of storm lines, 176 buildings, 495 acres of airport property, and 725 Fleet vehicles.

ECONOMIC DEVELOPMENT

Council continues a strong commitment to economic vitality. As municipal government creates the business environment and the infrastructure necessary for prosperity, Council's strategies centre around eliminating barriers and creating a balanced approach for economic opportunities and sustained growth. This approach includes offering the highest quality environment, services, and amenities necessary to attract new business investment, as well as supporting the retention and expansion of existing local businesses.

Constructing the new Smoky Ridge Recreation Centre



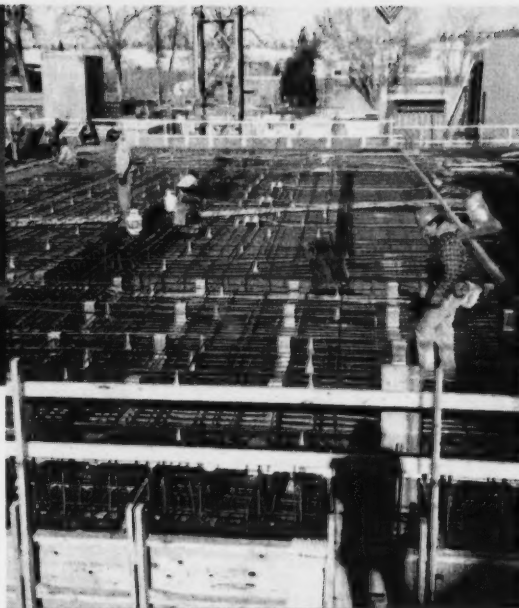
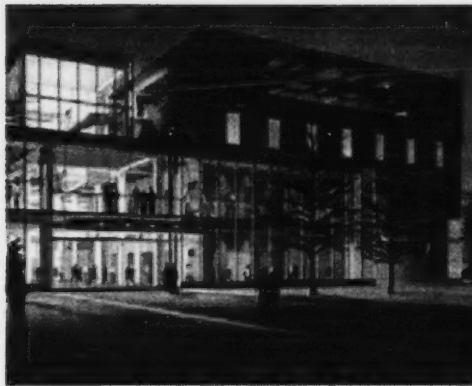
Medicine Hat has grown to a population of more than 50,000 people and our economy is firing on all cylinders. In 2003, the City completed 650 new serviced lots in five new subdivisions, and processed development and building permits totaling more than \$114 million of construction value. The Medicine Hat Regional Airport saw 30,243 passengers in 2003, an increase of nine per cent over the previous year. Low cost gas and electric rates, a low cost of living, no municipal business tax, the lowest municipal taxes in Canada, and excellent City services, contribute to Medicine Hat being a "Community of Choice" for businesses.

REGIONAL CO-OPERATION

The City is partnering with the Economic Development Alliance of Southeast Alberta (EDA) and other stakeholders in the region to complete long-range strategic development of the airport to foster economic growth for Medicine Hat. The EDA is a partnership made up of the City of Medicine Hat, Redcliff, Cypress County, County of Forty Mile, the Medicine Hat Chamber of Commerce, and others. It is an independent entity, governed by a Board of Directors.

The City is also a partner in the Palliser Economic Partnership (PEP), which is made up of rural municipalities, villages, and towns. The partnership completed an Economic Development Strategic Assessment that provides information for the long-term economic development of the Medicine Hat region. The assessment showed Medicine Hat has experienced strong growth in key economic indicators such as employment, population, and labour force. Employment has increased by 2.7 per cent per year and the population has increased by 1.6 per cent over the decade; almost one and a half times more than the percentage population growth for Canada.

The City of Medicine Hat benefits from a diversified economy. Agri-food, energy, tourism and entertainment, non-metallic minerals, chemicals and rubber, defense, and retirement living are significant local employers.



To provide valuable information to businesses and individuals interested in starting a business or locating to Medicine Hat, the City developed an awarding winning City of Medicine Hat business directory and information page on the Albertafirst.com website.

LAND DEVELOPMENT

Medicine Hat has been seeing unprecedented growth in development. In 2002, the City sold 323 properties, the highest number since 1980. Although not as high as last year, the City still sold a staggering 223 properties in 2003 - a testament to the economic development vitality of our community.

CITY CENTRE REVITALIZATION

The vision for downtown Medicine Hat is a city centre made up of thriving stores and businesses and unique attractions - a clean, safe and friendly place in which to shop, visit, work, and do business. The downtown is an exciting gathering place, important to the whole city, as well as a distinct neighbourhood with unique housing opportunities.

In 1999, Council undertook a City Centre Initiative to provide future direction and opportunities to improve Medicine Hat's downtown. This year, Council decided public funding should be used for improving downtown development, rather than promoting downtown business. The City began working with the City Centre Development Agency (CCDA) to identify action plans to enhance the downtown. The CCDA will take over management of the downtown's on-street and off-street parking in 2004 in an attempt to improve this valuable resource that is currently in short supply.

Top Left: Artist's conceptual drawing of The Esplanade - Medicine Hat's Arts and Heritage Centre scheduled to open in late 2005.
Top: Construction workers begin work on The Esplanade in the city's downtown.

DID YOU KNOW?

- ✓ The Esplanade construction employs up to 70 workers in the winter and up to 150 people during peak days in the summer.
- ✓ More than 100,000 people attend Medicine Hat's Exhibition and Stampede each year.
- ✓ The average time a house was on the market in Medicine Hat was 60 days in 2003.
- ✓ Approximately 1,000 Medicine Hat residents work at Canadian Forces Base Suffield.

COMMUNICATIONS AND COMMUNITY RELATIONS

City Council recognizes the significant roles it plays in keeping the community informed about emerging issues and critical decisions. In order to perform this role to a high standard, Council understands that information must not only be accurate, it must also be accessible and relevant to its intended audiences. To this end, Council's Communications and Community Relations strategies reflect efforts to better inform and involve all stakeholders.

The City's Mail and Print Room is an integral part of the information exchange to the public. In 2003, more than 286,000 information items were delivered to residents as inserts in the utility bills.



The City of Medicine Hat knows residents are interested in their community and they expect to be informed on issues and critical Council decisions. The City strives to ensure residents and stakeholders can get timely access to information about services, programs and facilities. The priority is answering public inquiries and concerns.



Mayor Garth Vallely is interviewed by a reporter.

ACCESS TO INFORMATION

The City continues to support and promote efforts to enhance the freedom of access to information. The City website www.medicinehat.ca continues to be an effective and efficient method of providing the public and businesses with electronic access to information 24 hours a day, seven days a week.

In 2003, new web pages were added or improved for the Cultural Centre, ice rinks, and Senior Services (Veiner Centre) to provide comprehensive information to senior citizens. A 360-degree panoramic photo feature was added to several ice rink pages providing promoters and the general public with a visual picture of the ice rink facilities as well as the meeting rooms.

The City continues to design and develop new, Internet-based applications (E-Services) that improve residents' and businesses' access to information such as: Imap, Report a Problem, When is My Garbage Pickup?, What Lots are For Sale?, Where is the Nearest Recycling Depot?, and Where Do I Vote?

The Police Service, through the Police Commission and the Office of the Chief of Police, is strengthening its relationship with the media through open and respectful communication. The Police Service implemented an Internet-based system to provide transparent and timely media access to the actions of the Police Service.



MAJOR PUBLIC ISSUES

Council recognizes important civic issues require public understanding and involvement. The City endeavours to consult with residents through:

- Advisory Boards and Commissions
- Open Houses
- Public Consultation Sessions
- Surveys
- Focus Groups

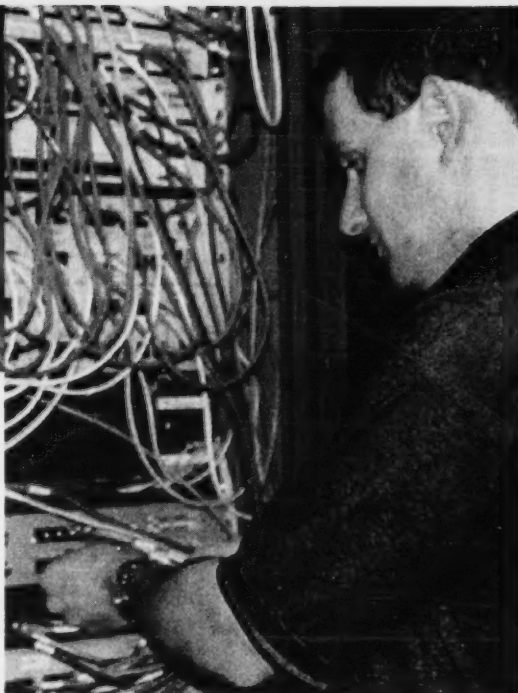
ADVISING THE COMMUNITY

City Council is committed to communicating policy and direction, while civic staff provide information to the public on technical and administrative matters.

Communications is encouraged by setting a standard for keeping the public informed of our programs and services, using all available media, including:

- News Releases to the media
- Public Notices
- Annual Report
- Website
- Direct Mail
- Trade Shows
- Informational Inserts in utility bills
- Staff commitment to respond to general inquiries within 48 hours and provide a resolution or explanation within 14 working days (the 2x14 model).
- Face-to-Face meetings - In 2003, City staff personally visited all Electric Utility industrial customers. Rates and opportunities to improve service were discussed and opportunities to improve service were identified.

FIND OUT MORE ABOUT THE CITY OF MEDICINE HAT, VISIT
www.medicinehat.ca



Above Left: City Council holds public open meetings the first and third Mondays of each month.

Above: Information and Computer Services maintains over 600 computers, 250 printers, and 32 servers on the City's network.

DID YOU KNOW

The 2004 City Election will direct you to "where you vote" and will display up to the minute results on Election night.

More than 50 people volunteer their time on City Advisory Boards and Commissions.

The volume of information transmitted over the City Internet has doubled over the last 12 months.

ENVIRONMENTAL STEWARDSHIP

The City of Medicine Hat considers a healthy environment to be of key strategic, economic, and social value to all residents. Council recognizes that while maintaining the quality of our natural environment represents a community obligation, municipal government must be a leader in responsible environmental decisions and actions. The City's environmental strategies revolve around focusing its collective knowledge, raising awareness of environmental issues, and most importantly, demonstrating its commitment through measurable action.

Below: Mayor Garth Valley participates in the Arbor Month Official Tree Planting Ceremony May 23, 2003. Three 'Dropmore' Linden trees were planted by the Mayor and children from Elm Street School ChildWorks and Mother Nature's Preschool program in front of a Habitat for Humanity housing complex. The groups involved in this project were: Community Development, Habitat for Humanity, North Flats Neighborhood Association, ChildWorks and Mother Nature's Preschool, Senior Citizens Advisory, and Parks and Outdoor Recreation.



The scenic South Saskatchewan River valley is the backdrop for Medicine Hat; a community with over 100 parks, 90 kilometres of trails, five golf courses, and a multitude of superior sports and leisure facilities. Medicine Hat's quality of life depends on responsible environmental management and choices.

ENVIRONMENTAL COMPLIANCE

The City is constantly striving to improve its environmental performance by controlling and reducing the impacts of its activities and services on the environment. In 2003, the City committed to this goal with the creation of an Environmental Compliance Office, which focuses on resource conservation, alternative energy, environmental awareness, and organizational compliance of environmental legislation.

AIR QUALITY

The City of Medicine Hat developed the Going Green program. The program supports the production of electricity from wind energy and reduces greenhouse gas emissions [carbon dioxide (CO₂)] in Alberta by more than 13,000 tonnes annually, at a cost of 33 cents per month to residential customers and \$5.90 per month to large commercial customers. Going Green officially launches in April 2004.

The City reduced nitrogen dioxide emissions by 90 per cent and carbon dioxide emissions by 35 per cent by installing Dry Low Emission combustion technology on the General Electric LM-6000 generator at the Electric Utility.

The Palliser Airshed Society began monitoring Medicine Hat's air quality. The City of Medicine Hat showed its support for this initiative by funding approximately 70 per cent of the annual operating costs of the program.

SUSTAINABLE DEVELOPMENT

The Esplanade, scheduled to open in fall 2005, will feature energy efficiencies that are anticipated to exceed the Model National Energy Code for Buildings (MNECB) by at least 25 per cent. The building will feature low E glass to reduce heating and cooling loads, wall and roof insulation exceeding MNECB standards, high efficiency motors, a modular boiler system for superior efficiency, and low flow toilets and fixtures electronically operated to minimize the amount of water use. Mechanical systems will be controlled by a centralized system to facilitate efficient operation of the building, and a state-of-the-art lighting control system will maximize energy efficiency.

IN 2003, MEDICINE HAT HOSTED:

- The Alberta Recreation and Parks Association Conference and Annual General Meeting
- The International Society of Arboriculture, Prairie Chapter Conference

The federal government's Commercial Building Incentive Program is being used in the design of a new Emergency Services facility to improve the energy efficiency of the building. The design exceeds the MNECB's minimum requirements for energy efficiency by 41 per cent.

The Family Leisure Centre installed micro turbine generators that produce electricity. The heat generated by the turbine is used to heat the swimming pool water.

OPERATIONAL IMPACTS

The City is conscious of environmental sensitivities when improving services for residents. The City constructed a new 3,400 metre sewer line through Strathcona Island Park and Police Point Park, and across the South Saskatchewan River and Seven Persons Creek. Professional biologists were used to conduct extensive aquatic and ecological impact assessments and construction monitoring to ensure there were no impacts on aquatic habitat as required by the Federal Fisheries Act. The City also worked closely with all levels of government, local stakeholders, and special interest groups to obtain all required Federal, Provincial and Parks permits.

The Medicine Hat Regional Airport is reducing potential water pollution by using runway de-icing chemicals that are certified 'Material of Choice' by Environment Canada.

The City uses environmentally friendly sand in its ice control efforts. The sand reduces dust pollution and minimizes build-up in storm drains. In the spring, the sand is collected and recycled.

RECYCLING AND WASTE

The City helps Medicine Hat residents reduce waste and improve the environment through many programs and services:

- Converting the public recycling depot bins to roll off bins to reduce litter and encourage more residential recycling.
- Conducting a yard waste trial program with 758 households to evaluate the use of biodegradable paper bags for yard waste collection. The trial resulted in a decision to use the more environmentally friendly biodegradable bags.
- Providing a community clean-up blitz in the spring.



A city resident bikes on a pathway. In total, Medicine Hat has 90 kilometres of pathways and trails.

CHOOSE MEDICINE HAT:

- 243 hectares of developed parks
- 1,458 hectares of natural areas
- 28,000 trees
- 38,000 bedding plants
- 90 kilometres of trails and pathways
- Interpretive Centre on a 300-acre natural reserve
- Compost Facility
- Yard Waste Collection Program

COMMUNITY DEVELOPMENT

Council is dedicated to a balanced approach for developing and enhancing the overall well-being of our community. It is Council's desire to ensure that residents of this community can continue to feel safe and have their property protected, enjoy a clean environment and attractive open spaces, participate in a diverse blend of cultural, recreational, and leisure activities, avail themselves of organized and accessible modes of transportation, and find appropriate local social support mechanisms when circumstances warrant.

Top: A member of the Medicine Hat Police Service.
Bottom: The Southview School Snack program uses volunteers from Redi Enterprises and CORE Association to assist with the preparation and distribution of snacks. The snack programs were established in schools because many students were coming to school without having an adequate breakfast.



One of Medicine Hat's greatest strengths is its high quality of life. The percentage of low-income families is below the Canadian average. Medicine Hat's cost of living is low compared to other municipalities. The City has significantly lower crime rates than similar-sized communities.

CULTURAL DEVELOPMENT

Medicine Hat is making great strides to improve the city's quality of life with the construction of a new arts and heritage centre - The Esplanade. This facility will propel Medicine Hat to the forefront of social development. It speaks to our pioneering spirit, our 'can do' attitude, and our sense of self-determination, and will forever enhance the city.

The Museum, Archives and Art Gallery ran 40,000 program hours of cultural activities and had 20,000 visitors last year.

RECREATION AND LEISURE

A new multi-use dryland recreation and wellness facility is under construction in South Ridge in partnership with the Family YMCA, Medicine Hat Catholic Board of Education, Medicine Hat School District #76, and Southridge Community Association. The YMCA will operate the facility when it opens in 2004.

SENIOR SERVICES

The City runs 45 different support programs for seniors with the help of approximately 550 volunteers. In 2003, more than 33,500 meals were delivered through the Meals on Wheels Program - an increase of 14 per cent over 2002.

The City owns and operates the Veiner Centre which proudly serves people over age 50. The Veiner Centre is a "home away from home" for its 1,500 members. People come to meet with friends, eat great home-cooked meals, volunteer, take part in activities, and above all, have fun. The Veiner Centre also provides support programs and community education.

EMERGENCY AND PROTECTIVE SERVICES

As crime continues in our community, the Police Service is responding. It continues to focus attention on drug and violence prevention through Drug Abuse Resistance Education (D.A.R.E.), the School Resource Officer Program, Mothers Against Drunk Driving (MADD), and Restorative Justice.



The Police Service has also identified a need to increase resources to keep pace with these demands. In 2004 and 2005, the Police Service will add eight new positions to ensure it maintains the community's expectations.

SOCIAL DEVELOPMENT AND AFFORDABLE HOUSING

Medicine Hat continues to play various roles in identifying and addressing community issues such as poverty, housing, homelessness, and persons with disabilities.

SO MUCH TO OFFER:

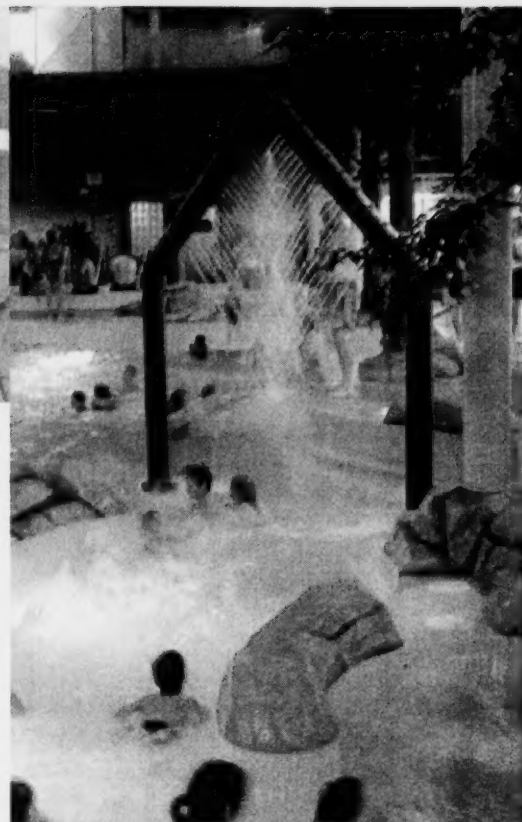
- Veiner Centre for retired and semi-retired people
- Medicine Hat Museum and Art Gallery
- Public services for people with special needs
- Highest per capita of pools and ice rinks (indoor and outdoor) in Western Canada
- Cultural Centre
- Family Leisure Centre with a 50-metre pool
- BMX Track
- Skateboard Park

The City has taken an active role by developing smaller lot sizes, an affordable housing definition, and a "request for proposals" process for affordable housing on three sites.

A partnership with the Community Housing Society has resulted in a transfer of land for the purpose of a new affordable housing proposal. The Community Housing Society has also supported various housing related projects such as Transitional Housing (Trans Canada Motel and Saamis Immigration), Inn Between Youth Shelter, Landlord and Tenant Office, and the Salvation Army Family Support Centre. Further consultation with the public resulted in an updated Community Action Plan on Housing.

ACCESSIBLE TRANSIT

Transit continues to be a provincial and national leader with the purchase of more accessible vehicles, printing of new transit guides, and improved changes to routes. In 2003, Transit experienced approximately 900,000 regular rides and 80,000 special transit rides.



Top Left: Malcolm Sissons and Nancy Ruth on the 20th Anniversary of the Cultural Centre. Sissons piped dignitaries into the Centre.
Top: The Medicine Hat Family Leisure Centre. Approximately 78,600 people used the Family Leisure Centre in 2003.

DID YOU KNOW

Medicine Hat has 28 Transit vehicles, which collectively drove more than one million kilometres in 2003.

600 people volunteer with the Veiner Centre.

More than 1,000 people attended the Cultural Centre's 20th anniversary, which included music, dance, poetry, and a special exhibition of the works of more than 130 local artists in the Gallery.

More than 238,000 people visited the Public Library in 2003.

ORGANIZATIONAL STRENGTH

The City of Medicine Hat is proud of its diverse and dedicated workforce. Council understands that excellent service to the community starts with skilled and motivated staff. It strives to be an "employer of choice" as part of its vision of being a "community of choice." A commitment to help employees achieve their full potential includes strategies focused on training and development, employee recognition, and empowering staff with pertinent information.

The City continues to focus on creating and sustaining a supportive work environment where employees provide exceptional public service. In 2000, the City undertook its first Employee Survey with the goal of improving the workplace and maintaining superior performance. Subsequent surveys indicate the City is making positive changes that contribute to the reputation of an exceptional employer. The City strives to help employees achieve their full potential by openly sharing information, building trust and respectful relationships, and supporting a variety of personal development initiatives. Just as the City desires to be a "community of choice," it also strives to be an "employer of choice."

COMMUNICATION AND BUILDING STRONG RELATIONSHIPS

The City recognizes that for its employees to be successful, they must understand and be committed to the organization's Vision, Mission, Values and Priorities. Understanding is developed when there is open two-way communication and everyone is clear on the purpose ("why are we here?") and expectations ("what does success look like?"). Then commitment is fostered when employees are empowered to create the most effective means of delivering (the "how").

EMPLOYEE ATTRACTION AND RETENTION

Since the strength of the organization is dependent on its people, it is imperative the City maintains effective hiring practices to bring the best people into the organization. It must develop and implement sound practices that encourage people to build lasting careers with the City. We continue to strengthen recruitment processes by

City of Medicine Hat Personal Mastery/Leadership Program Group 14

Back L to R: Keith Flaig, Paul Schmidt, Tara Johnston, Steve Foster, Dean Stepanic, Ray Oulette, Doug Crichton, Dale Lemer.

Middle: Terry Flaig, Terry Krall, Jim Kobley, Corrie Kilback, Nigel Forster, Kim Ashby, Tammy Komanchuk, Laurie Hillis.

Front: Joyce Bolen, Les Becker, Annette Simons, Cindy Fode, Sue Klassen.

Missing: Grayson Mauch



**City of Medicine Hat Personal
Mastery/Personal Leadership Program Group 15**

Back L. to R: Tina Dattenberger, Tom Coffey, David Taylor, Doran Jensen, Wayne Lust, Terry Seitz, Dennis Mark, Chad Foster, Mike Welford, Scott Sauve, Cherryl Jackle, Christy Garland.
Front L. to R: Corinne Pratt, Jeanette Devore, Paul Hubbard, Elaine McLellan, Shawn Bowles, Nada Dulle, Scotty Irvine, Tammy Komanchuk.
Missing: Murray Trollope



developing and communicating reference materials for hiring supervisors and selectively incorporating tools such as Work Style Patterns into the recruitment process

PEOPLE DEVELOPMENT

The City is committed to providing support and access to personal and team development to build corporate strength, facilitate succession planning from within, and help employees meet their long-term career objectives. The City has adopted the Organizational Competency Model to help employees be the best they can be at their jobs. It emphasizes development of leadership skills. In 2003, 40 staff took part in two personal leadership programs, 55 supervisors went through workgroup leader programs, and 18 Commissioners and General Managers completed the organizational leadership program.

EMPLOYEE WELL-BEING

The City understands its employees are at their best when they can work in a caring environment. Each year, the City holds a Retirement and Long Service Awards Banquet to thank employees for their years of service. The City acknowledges employee commitment and contributions with its Employee Recognition Program.

The City is committed to working with employees to ensure a healthy and safe workplace. Besides regularly scheduled departmental safety meetings, employees participated in safety training opportunities during the year. The City also provides health and safety orientation sessions for new employees. In 2003, we completed the first phase of a new Attendance Support and Assistance Program.

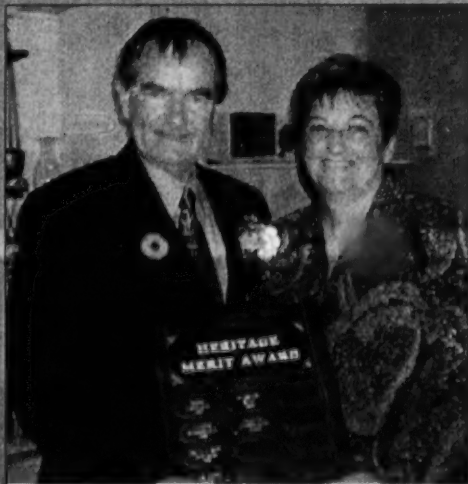
A happy and healthy life outside the office is also important. The City provides information and support to help all staff achieve a healthy, successful balance across all facets of their lives.

“

In my first term as Mayor, I've come to realize something that I believe few people in this community truly appreciate; there are over 750 people in this community that come to work everyday with what I see as "a receptive, can-do, make-it-happen attitude". I'm describing the employees at the City of Medicine Hat. These committed individuals not only make this Council's life much easier, but also help make this city a "community of choice" for all of its citizens. It takes dedicated, educated, professional people to run the City....

Mayor Garth Valley

EXCELLENCE IN PUBLIC SERVICE



2003 Heritage Award of Merit

The Medicine Hat Museum and Art Gallery honoured David Jamieson (left) Nov. 8, 2003 as its Heritage Award of Merit winner for 2003 for his years of volunteerism in the Medicine Hat Heritage community. Pictured with David is Medicine Hat Museum and Art Gallery Board member Jan Dynes.



2003 Retirees

Back Row: (L to R): Maurice Cornet, Rick Rawlins, Robert Ross, Robert Tetz, John Unreiner, Darlene Engle, Edmund Roesler
Front Row: (L to R): Leslie Liptak, Edward Gallup, Dennis Charlet, Adam Wist, Mayor Garth Vallely, Edward Taylor, Darryl Hannay
Missing: Wayne Studer, Denis Unreiner, Linda Lamirade, H Lindsay Fraser, Marlene Ingenthron, Lester Phee



25 Year Service Milestones

Back Row: (L to R): Gordon Baumbach, Joe Wogrinc, Barry Goehring, Joe Kost, Leonard Mastel, Dale Descoteau, James Kobley, Peter Knight, Rick Boksteyn, Stan Schorr
Front Row: (L to R): James Getz, James Burgess, Linda Boksteyn, Mayor Garth Vallely, Karen Eisenbarth, Warren Stuber, Dennis Charlet
Missing: Ron Robinson, Glen Meidinger, Dan Crawford, Gerald Petrick, James Hogg, Linda Lamirade, John Lemire, Lester Phee, Robert Collier, Terry Flaig, James Greenan, Kenneth Grisak, Eric Nielsen, Dale Lerner, Rick Look, Archibald McLennan, Fred Meyer, Blaine Renner, Edward Smith, David Voeller

20 Year Service Milestones: Rick Huery, Mark Schmaltz, Bill Wall, Bev Filgas, Laverne Gill, Pam Antler, John Lerner

15 Year Service Milestones: Ronda Grant, Marilyn Heckbert, Rick Johnson, Mark Miller, Barry Sulz, Barry Wiedemann, Ralph Havinga, David Leflar, Bert Otte, Sid Swabe, Beth Leentvaar, Grant MacKay, Cheryl Ann Barrett, Darren Heinz, Trevor Rayner, John Komanchuk, Robert Cole

10 Year Service Milestones: Colin Bryksa, Albert Hoffarth, Gil McNeil, Laura Riley, Leonard St. Jean, Jean Lagasse, Dayna Livingston, Bob Elliott, Liz Fisher, Tom Herman, Garth Widmer, Brian Lambert, Lynn Stodalka



30 and 35 Year Milestones

Back Row (L to R): Vernon Fischer (30 Years), James Kungel (30 Years), Ken Mardian (30 Years), Raymond Oulette (30 Years)

Front Row (L to R): Gary Patzer (30 Years), Victor Simmons (30 Years), Mayor Garth Vallely, Edmund Roesler (30 Years)

Missing: Glen Butgereit (30 Years), Frank Hintz (30 Years), Kenneth McDonnell (30 Years), H Lindsay Fraser (30 Years), Denis Unreiner (35 Years), Gerald Schlenker (35 Years)



Medicine Hat's 2002 Civic Recognition Award Recipients

L to R: Dana Shukster, Ed Horvath, Tillie Ganden, Ron Zablocki, and Gail Frandsen. This award is given to outstanding Medicine Hat residents and their contributions in cultural, sports/recreation, environmental, and humanitarian areas.

15 Years and 11,700 Hour Milestones: George Bosch, Rick Boschee, Dean Carnelli, Shawn Gnam, Valerie Martins

10 Years and 7,800 Hour Milestones: Cameron MacPhail



Appreciation Night

The Medicine Hat Museum and Art Gallery held an Appreciation Night Aug. 6, 2003 to thank Alf Turlock (above) for his contributions to the city and his generous donations to the Museum. Mr. Turlock rode annually for years in the Stampede parade, and his silver saddle and colourful outfits are now a part of the Museum's Permanent Collection.



2003 CONSOLIDATED FINANCIAL STATEMENTS

Treasurer's Report	33
Canadian Award for Financial Reporting	33
Financial Management and Control	38
Responsibility for Financial Reporting	39
Management's Report	39
Auditor's Report	39
Consolidated Statement of Financial Position	40
Consolidated Statement of Financial Activities	41
Consolidated Statement of Changes in Financial Position	42
Consolidated Capital Fund	43
Consolidated Operating Fund	44
Consolidated Reserve Fund	45
Consolidated Taxes Levied	45
Consolidated Statement of Government Transfers	46
Consolidated Expenditures by Object	46
Notes to Consolidated Financial Statements	47
Statistics	67

TREASURER'S REPORT

FOR THE YEAR ENDING DECEMBER 31, 2003

The Annual Report contains the audited financial statements consistent with principles and standards for financial reporting established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as required by the Alberta Municipal Government Act. In addition, it serves as an opportunity to communicate with taxpayers and other members of the public regarding the City's financial performance and significant financial events in 2003.

CANADIAN AWARD FOR FINANCIAL REPORTING

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2002. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to GFOA.

Right: Mayor Garth Vallely (right) presents the Government Finance Officer's Association of the United States and Canada Award for Financial Reporting to (L to R) Ray Gilmour, Commissioner of Corporate Services, Jim Standell, General Manager of Finance, and Shirley Gutormson, Manager of Municipal Accounting.

Canadian Award for Financial Reporting

Presented to

City of Medicine Hat,
Alberta

For its Annual
Financial Report
for the Year Ended
December 31, 2002

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.



Edward Harrington
President

Jeffrey L. Esser
Executive Director



OVERVIEW

The residents and businesses of the City of Medicine Hat continue to benefit from sound local government. The City has not only maintained excellent programs and services throughout 2003, but also continues to extend services to developing areas and provide additional amenities and new programs to enhance the quality of life for all Medicine Hatters.

While doing so, the City constantly strives to be fiscally responsible in its operations. It continues to manage expenditures and maximize the benefit of its utility

operation for both taxpayers and ratepayers alike. This is demonstrated by annual comparisons that constantly reflect favourably upon Medicine Hat's status as one of the lowest-cost places to live in Canada in terms of municipally levied taxes, rates and fees.

The financial highlights that follow demonstrate continued progress towards Council's priority of Fiscal Responsibility. Full financial disclosure is available through the 2003 Financial Report that can be obtained through the City Clerk's Office at the City of Medicine Hat.

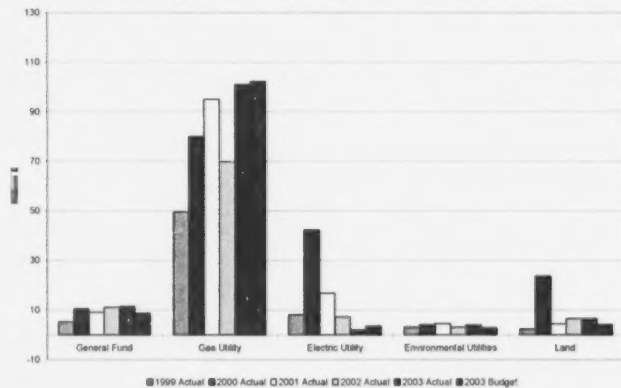
2003 OPERATING RESULTS

On a consolidated basis, all combined operating activities resulted in excess revenues over expenditures totaling \$103 million in 2003. This was the net result of consolidated revenues totaling \$261.7 million (budget comparative was \$256.5M) netted against expenditures totaling \$158.6 million (budget comparative was \$159.6 million). It is important to note that after a Transfer to Capital totaling \$27.8 million and to Reserves totaling \$86.9 million, the resulting change to the Consolidated Operating Fund balance was a decrease of \$11.6 million. As a result the closing Operating Fund balance or "consolidated surplus" decreased from \$34.4 million in 2002 to \$22.8 million in 2003.

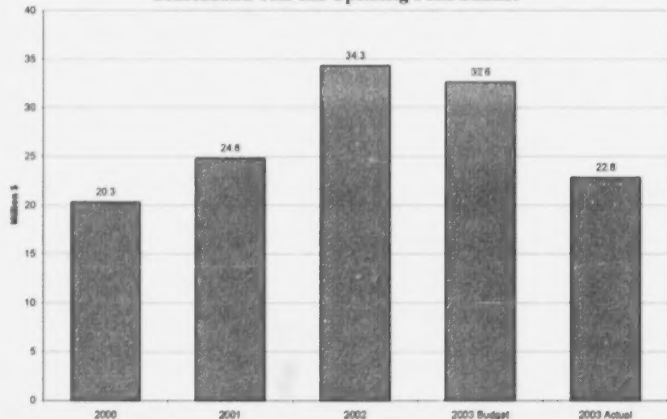
The Gas Utility earned a total of \$158.4 million against a budget of \$158.2 million. Sales to customers outside of the City of Medicine Hat were 16% higher than budgeted, this was offset by a 16% reduction in production as a result of acquisition opportunities not materializing. \$67.9 million has been transferred to the Depletion Reserve to finance the future acquisitions required to ensure an ongoing supply of gas to the residents of Medicine Hat.

The Electric Utility earned \$58.6 million, 9% higher than budget. High Power Pool sales and energy sales to local customers contributed to

Net Revenue from Operations (Before Capital and Interfund Transfers)



Consolidated Year-end Operating Fund Balance



the increased income. Expenditures were 12% over budget as a result of the delayed implementation of the LM-6000 generator, high spot market gas prices and higher production volumes; reduced electric generation maintenance costs offset this unfavourable variance to some degree.

Environmental Utilities considered as a whole, report sales revenues of \$20.8 million or 8% higher than budget. This is the result of increased revenue from non-traditional landfill sources. Land Sales reported

\$16.2 million in sales revenues, or 15% more than budgeted, as a result of increased demand for residential lots.

Tax-Rate Supported operations reported a surplus of \$1.3 million which is 2% of the total budgeted expenditures of \$69.2 million. This surplus was achieved through increased investment income, increased revenues related to building permits and lower than budgeted expenditures in a number of departments.

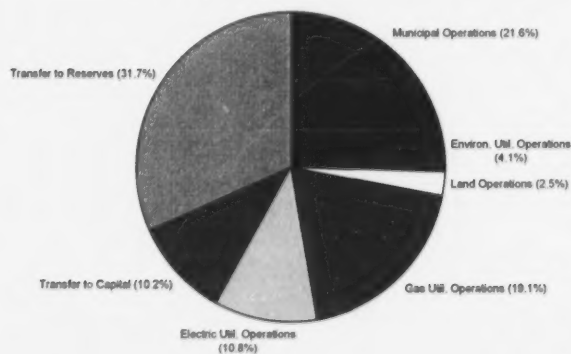
WHERE THE MONEY WAS SPENT

In addition to the \$158.6 million spent in total on all operations in 2003, another \$27.8 million and \$86.9 million were transferred to capital and reserves respectively for a total of \$273.3 million. Notable is the fact that utility and land operations accounted for 35.9% of all expenditures and tax-supported operations accounted for 21.6%.

Within the 31.7% of expenditures related to reserve transfers, \$67.9 million related to gas sales revenues transferred to the Gas Depletion Reserve for future natural gas reserve replacements. \$2.8 million was transferred to the Fleet Replacement Reserve, \$4 million was transferred to the Infrastructure Reserve, and \$12 million was transferred from the Land Department to The Esplanade Reserve.

These reserves are used to fund future municipal infrastructure improvements and fleet purchases, thereby reducing debenture-borrowing requirements.

Use of Operating Funds (\$273.3 Million)

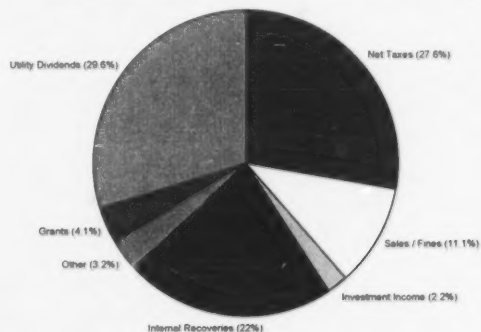


WHERE THE MONEY CAME FROM

Of the total consolidated operating revenue of \$261.7 million, 83% was derived from Utilities and Land Sales. Much of the revenue generated by Gas operations is achieved through sales to consumers outside of the City. The proceeds of these sales are used to the benefit of all Medicine Hat residents and certainly help offset requirements for tax and utility rate increases within the City.

Based on non-consolidated financial statements the total operating revenue reported for municipal tax-supported activities is \$80.3 million. This includes a dividend from Utility operations of \$23.8 million or 29.6% of total General Fund revenues. Comparable figures for 2002 were \$22.9 million and 31%. Net Municipal taxes provided another \$22.2 million or 27.6% of total tax-supported operations.

2003 Municipal Operating Revenue Sources (\$80.3 Million)



2003 CAPITAL SPENDING

Capital investment during 2003 totaled \$94.9 million. The majority of the funds were spent within the Gas Utility (\$45.3 million) to acquire and develop property to sustain its gas reserve life index and maximize current production capabilities. Key projects in the other Utilities include Electric Production costs of \$17.5 million for the LM-6000 generator, and \$2.7 million for the Sewer Utility's Puralm Lift Station. \$25 million was spent on municipal projects including \$2.9 million for Fleet purchases, \$1.6 million on Dunmore Road Intersection Improvements, \$2.7 for completion of the Allowance Avenue Overpass, \$5 million on construction of The Esplanade, and \$2.7 million on the South Ridge Recreation Centre.

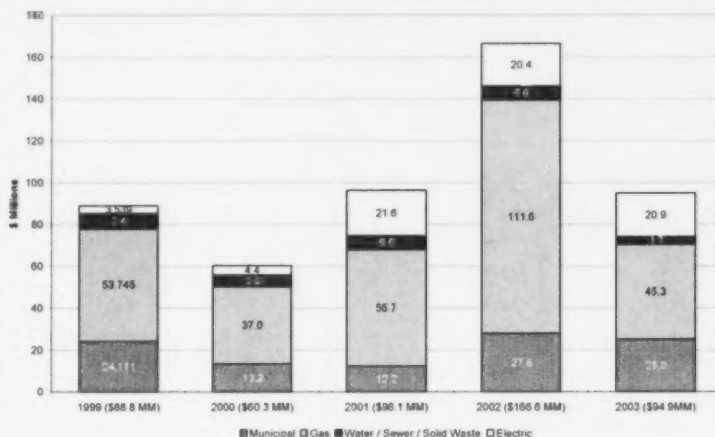
Major sources of capital investment financing in 2003 include the following

- Debenture issues: \$22.5 million
- Transfers from Reserves: \$37.3 million
- Transfers from Operating: \$17 million
- Government Grants: \$ 5.5 million

Council's priorities regarding sustainable utilities and sound infrastructure require continued investment. The 2004 – 2006 Capital Improvement Plan calls for several major expenditures. In particular, the sustainability of the Gas Utility depends upon substantial reinvestments. Over \$72 million is to be invested over the next three

years to add to and improve production facilities. To meet the demand for residential, commercial and industrial development, \$42.3 million is to be invested in the development of land for resale. On the Municipal side, \$46.2 million is projected to be spent over the next three years. Highlights of these expenditures are: Fleet purchases - \$12.9 million, Road Upgrades - \$5.7 million, Airport Enhancements - \$3 million, Building and Facility upgrades - \$2.2 million. In addition, major projects approved in prior years such as the new Emergency Services Station - \$3 million, South Ridge Recreation Facility - \$4.8 million, and The Esplanade - \$42 million, are to be completed over the next few years.

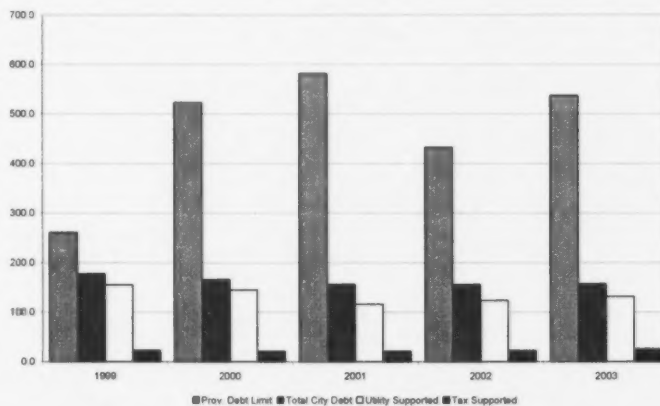
Capital Investment



LONG-TERM DEBT

Total long-term debt outstanding for the City increased \$11.8 million to \$156.2 million. Principal in the amount of \$10.7 million was repaid. Of this repayment, \$2.6 million relates to tax-supported debentures while the balance relates to utilities. Tax-supported debt per capita increased from \$428 to \$492. The City borrowed \$22.5 million during the year with \$5.9 million related to municipal projects.

Long Term Debt



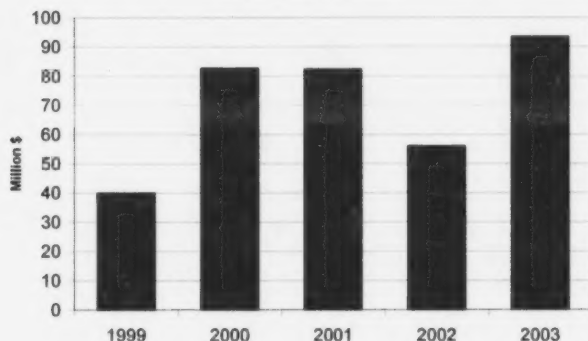
CASH AND INVESTMENTS

Surplus cash and funds that are earmarked for future purposes are maintained in an investment portfolio that is managed within strict policies approved by Council. Investments are made primarily in short-to-medium term banker's acceptances with the major chartered banks as well as provincial and federal bonds. Funds are managed with an overall objective of sustaining a yield that is at least 80% of the Scotia McLeod Universe Bond Index.

The City's investment portfolio totaled \$93.4 million as of December 31. This is an increase over 2002 when the statements reported \$54.4 million. This increase relates to the growth in the Gas Depletion Reserve. Major investment in mineral acquisitions in the Gas Utility were not undertaken resulting in the growth of this reserve.

The City of Medicine Hat's investment return for the year ended December 31, 2003 averaged 4.11%, outperforming the benchmark index of 3.54%. The City's average portfolio return has outperformed the stated benchmark in 15 of the last 16 quarters.

Investment Portfolio



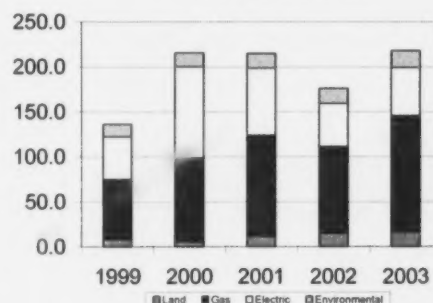
INVESTMENT IN SUBSIDIARY

To meet City Council's priorities with regard to sustainable utilities, a wholly owned subsidiary of the City of Medicine Hat, Allied Oil and Gas Corp was formed. In January 2002, the City acquired Allied Oil and Gas. This acquisition moved the gas reserves closer to the City's 10-year Reserve Life Index target.

MEDICINE HAT UTILITIES

In Medicine Hat, the Gas City, our utilities not only represent "who we are" but their performance is key to our "Medicine Hat Advantage."

Combined Land and
Utilities Sales Revenues



Raymond J. Gilmour
BSA, MBA



FINANCIAL MANAGEMENT AND CONTROL

BUDGET PROCESS

Each year, City Council develops a Strategic Plan highlighting priorities, strategies and goals for the planning period. Based on the direction set out by the Strategic Plan, departmental Business Plans are prepared. Budget guidelines and specific funding envelopes are developed. Based on these guidelines and Business Plans, departments develop their budget requests.

Divisional Commissioners review departmental budgets and when satisfied that all issues have been addressed, the budget recommendation is presented for Council approval.

Medicine Hat's Operating Budget lays out the revenues and expenditures planned for the following year to deliver city services.

A three-year Capital Improvement Plan is developed for Municipal Government, while the Utilities prepare a five-year plan. The Capital Improvement Plans identify proposed capital project expenditures and their sources of financing.

ACCOUNTING PROCESS

The City of Medicine Hat is organized in three divisions: Corporate Services, Public Services and Utilities Services. Each division is responsible for managing the delivery of services in accordance with the resources allocated. All Divisions share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Commissioner of Corporate Services and delivered to each division based on their needs.

FINANCIAL STATEMENTS

Management of the City of Medicine Hat is responsible for the information contained in the annual financial report, which includes the consolidated financial statements, notes to the financial statements, and other financial information. These financial statements and

accompanying notes have been prepared by management within the reasonable limits of materiality and within the framework of the accounting principles and disclosure requirements of the Canadian Institute of Chartered Accountants guidelines.

In conducting its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

AUDITING PROCESS

The Municipal Government Act requires municipal councils to appoint an auditor. In 1999, Medicine Hat City Council appointed Meyers Norris Penny, as external auditor for a five-year term.

An Audit Committee comprised of three members of City Council has been established as a Committee of Council. The Audit Committee is responsible for recommending the appointment of auditors and oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and independent auditors to approve the scope and timing of the audit, to review the Auditors findings and to assure that management is carrying out its responsibilities.

Included in the Financial Statements is a report prepared by our external auditors. The role of the external auditor is to present an independent opinion on the fair presentation of the City's financial position and operating results as contained in the Financial Report, confirming that the statements are free from material misstatements. The auditors are responsible for advising management and the Audit Committee of any control or operational issues that may be identified during their audit procedures.

RESPONSIBILITY FOR FINANCIAL REPORTING

MANAGEMENT'S REPORT

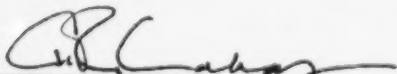
The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of Management.

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgments of Management. Financial data elsewhere in the report is consistent with that in the financial statements.

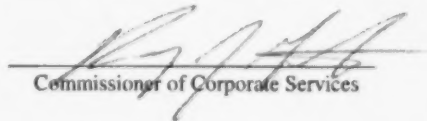
Management has developed and maintains an extensive system of internal controls that provide reasonable assurance that all transactions are appropriately authorized, that assets are properly accounted for and safeguarded, that all transactions are accurately recorded and that financial records are reliable for preparation of financial statements. As well, it is the policy of the City to maintain the highest standard of ethics in all its activities.

Meyers Norris Penny LLP, our independent auditors, have been appointed to express a professional opinion on the consolidated financial statements. Their report follows.

City Council, through its Audit Committee, comprised of three aldermen, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and independent auditors to discuss auditing and reporting on financial matters and to assure that management is carrying out its responsibilities. The auditors have full and free access to the Audit Committee and management.



Chief Administrative Officer



Commissioner of Corporate Services

AUDITORS' REPORT

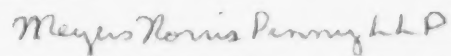
To the Mayor and Council of the City of Medicine Hat

We have audited the consolidated statement of financial position of the City of Medicine Hat as at December 31, 2003 and the consolidated statement of financial activities with change in fund balances, including support schedules, and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Medicine Hat as at December 31, 2003 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

Medicine Hat, Alberta
February 20, 2004



Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2003
(In thousands of dollars)

	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
ASSETS			
FINANCIAL ASSETS			
Cash	\$ 1,630	\$ 726	\$ 1,476
Accounts Receivable (Net of Allowances) (Note 2)	26,715	31,755	21,536
Advances to Subsidiary (Note 3)	21,270	31,009	11,515
Inventories for Resale (Note 4)	21,744	19,052	18,433
Investments, Loans and Advances (Note 5)	93,414	54,358	80,395
Deposits and Other Assets (Note 6)	1,291	1,164	1,137
TOTAL FINANCIAL ASSETS	166,064	138,064	134,492
PREPAID EXPENSES (Note 10)	614	771	6,688
INVESTMENT IN SUBSIDIARY OPERATION (NOTE 7, 8 & 9)			47,360
PHYSICAL ASSETS			
Inventories	8,739	8,889	8,296
Plant, Property, and Equipment (Note 11)	815,460	773,876	655,623
TOTAL PHYSICAL ASSETS	824,199	782,765	663,919
TOTAL ASSETS	\$ 990,877	\$ 921,600	\$ 852,459
LIABILITIES AND MUNICIPAL EQUITY			
LIABILITIES			
Bank Indebtedness	\$	\$ 1,616	\$
Trade Accounts Payable	11,628	15,157	10,008
Accrued Liabilities (Note 12)	22,473	17,486	15,508
Short Term Debt (Note 13)		9,984	19,809
Long Term Debt - Alberta Capital Finance Authority (Note 14)	155,947	144,166	135,949
Other Long Term Debt (Note 15)	302	326	346
Other Long Term Liabilities (Note 16)	24,429	21,162	15,910
TOTAL LIABILITIES	214,779	209,897	197,530
LOSS IN SUBSIDIARY (Note 8)	10,195	8,224	
MUNICIPAL EQUITY			
Equity in Physical Assets	659,212	629,384	519,082
Capital Fund (Schedule 1)	8,240	13,692	5,477
TOTAL CAPITAL FUND	667,452	643,076	524,559
OPERATING FUND (Schedule 2) (Note 21)	22,795	34,399	24,812
RESERVE FUND (Schedule 3) (Note 17)	75,656	26,004	105,558
TOTAL MUNICIPAL EQUITY	765,903	703,479	654,929
TOTAL LIABILITIES AND MUNICIPAL EQUITY	\$ 990,877	\$ 921,600	\$ 852,459

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
REVENUE				
NET TAXES (Schedule 4)	\$ 23,568	\$ 23,740	\$ 21,605	\$ 19,364
SALE OF SERVICES				
General Government	5,046	5,220	5,177	4,674
Gas	137,651	129,178	96,188	112,707
Electric	49,289	53,687	47,778	74,475
Water	6,762	7,493	6,568	7,187
Sewer	5,446	5,641	5,561	5,261
Solid Waste	3,535	5,490	4,576	3,903
Land and Subdivision Development	14,120	16,203	15,050	11,183
Medicine Hat Public Library	84	109	86	87
OTHER INCOME				
Investment	558	4,654	5,338	5,292
Income (Loss) from Subsidiary (Note 8)	389	(1,971)	(8,485)	256
Licences, Fines and Penalties	3,225	3,713	3,570	3,186
Insurance Recoveries	63	118	100	102
Developers Levies	1,464	1,547	1,994	1,381
Proceeds from Sale of Assets (Note 11)		4,850		33,715
Other	4,301	6,041	6,011	4,424
GOVERNMENT TRANSFERS (Schedule 5)				
Municipal Assistance Grant	1,237	1,237	1,237	1,237
Grants - Federal and Provincial	2,739	7,300	14,677	5,018
Debenture Interest Subsidy	100	75	98	124
TOTAL REVENUE	259,577	274,325	227,129	293,576
EXPENDITURES (Schedule 6)				
General Government	66,680	82,026	81,982	62,082
Gas	121,716	97,685	151,116	105,174
Electric	33,703	50,373	43,216	46,304
Water	5,193	4,456	4,559	6,379
Sewer	5,741	7,087	9,088	7,739
Solid Waste	2,665	3,392	3,068	2,833
Land and Subdivision Development	10,152	6,826	3,810	2,759
Medicine Hat Public Library	1,561	1,641	1,620	1,417
TOTAL EXPENDITURES	247,411	253,486	298,459	234,687
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	12,166	20,839	(71,330)	58,889
Debt Issued	7,012	22,488	18,922	7,831
Debt Repayment	(10,943)	(10,731)	(10,725)	(37,014)
Contributed Surplus			1,381	
CHANGE IN FUND BALANCES	\$ 8,235	\$ 32,596	\$ (61,752)	\$ 29,706

The accompanying notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2003**
(In thousands of dollars)

	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
CASH PROVIDED BY (USED IN):			
OPERATIONS			
Excess (Deficiency) of Revenue Over Expenditures	\$ 20,839	\$ (71,330)	\$ 58,889
(Income) Loss from Subsidiary	1,971	8,485	(256)
Decrease (Increase) in Accounts Receivable	5,040	(10,219)	13,522
Decrease (Increase) in Inventory for Resale	(2,692)	(619)	(2,182)
Decrease (Increase) in Deposits & Other Assets	(127)	(27)	(600)
Decrease (Increase) in Prepaid Expenses	157	5,917	(5,457)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,459	7,129	(6,187)
Increase (Decrease) in Other Long Term Liabilities	3,267	5,252	2,236
NET CASH FROM (USED BY) OPERATIONS	29,914	(55,412)	59,965
INVESTING			
Investment in Subsidiary		(49,718)	(47,360)
Short Term Debt Issued (Repaid)	(9,984)	(9,825)	19,809
Decrease (Increase) in Investments, Loans and Advances	(39,056)	26,037	2,429
Redemption of Shares in Subsidiary (Note 7)		98,442	
Decrease (Increase) in Advances to Subsidiary	9,739	(19,494)	(11,515)
Decrease (Increase) in Inventories	150	(593)	91
NET CASH FROM (USED BY) INVESTING	(39,151)	44,849	(36,546)
FINANCING			
Long-Term Debt Issued	22,488	18,922	7,831
Long-Term Debt Repaid	(10,731)	(10,725)	(37,014)
NET CASH FROM (USED BY) FINANCING	11,757	8,197	(29,183)
CHANGE IN CASH	2,520	(2,366)	(5,764)
CASH AT BEGINNING OF YEAR	(890)	1,476	7,240
CASH AT END OF YEAR	\$ 1,630	\$ (890)	\$ 1,476
Cash consists of the following:			
Cash	\$ 1,630	\$ 726	\$ 1,476
Bank Indebtedness		(1,616)	
Total	\$ 1,630	\$ (890)	\$ 1,476

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CAPITAL FUND
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
REVENUE				
Government Transfers	\$ 1,018	\$ 5,506	\$ 12,598	\$ 2,786
Developers Levies	915	980	1,990	1,381
Proceeds from Sale of Assets		4,850		33,715
Other	182	1,323	1,179	1,023
TOTAL REVENUE	2,115	12,659	15,767	38,905
EXPENDITURES				
General Government	9,158	24,552	27,801	12,025
Gas	69,516	45,347	111,550	55,673
Electric	6,173	20,913	20,410	21,569
Water	938	314	467	1,872
Sewer	1,632	3,176	5,867	4,432
Solid Waste	190	223	324	378
Land		138	2	
Medicine Hat Public Library	198	235	196	216
TOTAL EXPENDITURES	87,805	94,898	166,617	96,165
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	(85,690)	(82,239)	(150,850)	(57,260)
NET INTERFUND TRANSFERS				
Reserve Fund	65,462	37,266	123,660	51,379
Operating Fund	24,159	27,764	27,208	36,454
DEBT TRANSFERS				
Debt Issued	7,012	22,488	18,922	7,831
Debt Payments	(10,943)	(10,731)	(10,725)	(37,014)
CHANGE IN CAPITAL FUND		(5,452)	8,215	1,390
CAPITAL FUND AT BEGINNING OF YEAR	13,692	13,692	5,477	4,087
CAPITAL FUND AT END OF YEAR	\$ 13,692	\$ 8,240	\$ 13,692	\$ 5,477

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED OPERATING FUND
SCHEDULE 2
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
REVENUE				
NET TAXES (Schedule 4)	\$ 23,568	\$ 23,740	\$ 21,605	\$ 19,364
SALE OF SERVICES				
General Government	5,046	5,220	5,177	4,674
Gas	137,651	129,178	96,188	112,707
Electric	49,289	53,687	47,778	74,475
Water	6,762	7,493	6,568	7,187
Sewer	5,446	5,642	5,561	5,261
Solid Waste	3,535	5,490	4,576	3,903
Land and Subdivision Development	14,120	16,203	15,050	11,183
Medicine Hat Public Library	83	109	86	87
OTHER INCOME				
Investment Income	558	4,654	5,338	5,292
Income (Loss) from Subsidiary (Note 8)	389	(1,971)	(8,485)	256
Licences, Fines and Penalties	3,225	3,713	3,570	3,186
Insurance Recovery	63	118	100	102
Other	3,192	4,716	4,839	3,401
GOVERNMENT TRANSFERS				
Municipal Assistance Grant	1,237	1,237	1,237	1,237
Grants - Federal and Provincial	2,271	2,357	2,076	2,232
Debenture Interest Subsidy	100	75	98	124
TOTAL REVENUE	256,535	261,661	211,362	254,671
EXPENDITURES				
General Government	57,522	57,474	54,182	50,058
Gas	52,200	52,338	39,566	49,501
Electric	27,530	29,457	22,807	24,734
Water	4,255	4,142	4,094	4,507
Sewer	4,109	4,220	3,221	3,307
Solid Waste	2,475	2,903	2,741	2,456
Land and Subdivision Development	10,152	6,657	3,926	2,758
Medicine Hat Public Library	1,382	1,392	1,305	1,201
TOTAL EXPENDITURES	159,625	158,583	131,842	138,522
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	96,910	103,078	79,520	116,149
NET INTERFUND TRANSFERS				
Capital Fund	(24,159)	(27,764)	(27,208)	(36,454)
Reserve Fund	(74,569)	(86,918)	(44,106)	(73,208)
TOTAL NET INTERFUND TRANSFERS	(98,728)	(114,682)	(71,314)	(109,662)
CONTRIBUTED SURPLUS			1,381	
CHANGE IN OPERATING FUND	(1,818)	(11,604)	9,587	6,487
OPERATING FUND AT BEGINNING OF YEAR	34,399	34,399	24,812	18,325
OPERATING FUND AT END OF YEAR	\$ 32,581	\$ 22,795	\$ 34,399	\$ 24,812

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED RESERVE FUND
SCHEDULE 3
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
RESERVE FUND AT BEGINNING OF YEAR	\$ 26,004	\$ 26,004	\$ 105,558	\$ 83,729
NET INTERFUND TRANSFERS				
Operating Fund Transfer	74,569	86,918	44,106	73,208
Capital Fund Transfer	(65,462)	(37,266)	(123,660)	(51,379)
CHANGE IN RESERVE FUND	9,107	49,652	(79,554)	21,829
RESERVE FUND AT END OF YEAR (Note 17)	\$ 35,111	\$ 75,656	\$ 26,004	\$ 105,558

CONSOLIDATED TAXES LEVIED
SCHEDULE 4
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
TAXATION				
Real Property Taxes	\$ 37,010	\$ 37,132	\$ 33,794	\$ 31,625
Linear Property Taxes	2,252	2,252	2,668	2,494
Government Grants in Lieu of Property Taxes	1,258	1,258	1,184	1,111
Special Assessments and Local Improvements	344	394	394	140
	40,864	41,036	38,040	35,370
REQUISITIONS				
Alberta School Foundation	14,281	14,267	13,585	13,238
Catholic Board Of Education	2,700	2,714	2,550	2,489
Cypress View Foundation	226	226	206	183
Business Improvement Levies	89	89	94	96
	17,296	17,296	16,435	16,006
NET TAXES	\$ 23,568	\$ 23,740	\$ 21,605	\$ 19,364

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED GOVERNMENT TRANSFERS
SCHEDULE 5
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
FEDERAL TRANSFERS				
Shared-Cost Agreements and Grants	\$ 400	427	\$ 1,563	\$ 559
PROVINCIAL TRANSFERS				
Municipal Assistance Grant	1,237	1,237	1,237	1,237
Shared-Cost Agreements and Grants	2,339	6,873	13,114	4,459
Debenture Interest Subsidy	100	75	98	124
	3,676	8,185	14,449	5,820
TOTAL GOVERNMENT TRANSFERS	\$ 4,076	8,612	\$ 16,012	\$ 6,379

CONSOLIDATED EXPENDITURES BY OBJECT
SCHEDULE 6
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
EXPENDITURES				
Salaries, Wages and Benefits	\$ 59,724	60,393	\$ 56,688	\$ 52,711
Contracted and General Services	24,955	27,485	19,268	17,102
Materials, Goods and Utilities	39,841	32,731	25,705	39,176
Provisions for Allowances	327	215	404	282
Bank Charges and Short Term Interest	39	74	927	106
Interest on Long Term Debt	10,272	10,587	9,856	10,862
Physical Assets Acquired	85,255	92,266	164,538	94,503
Other Operating Expenditures	23,892	26,685	18,628	17,952
Grants and Other Transfers	556	417	368	331
Other Capital Expenditures	2,550	2,633	2,077	1,662
TOTAL EXPENDITURES	\$ 247,411	253,486	\$ 298,459	\$ 234,687

The accompanying notes are an integral part of these financial statements.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Medicine Hat (the "City") are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Medicine Hat are as follows:

(A) REPORTING ENTITY

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity. This entity, except for government business enterprises which are accounted for by the modified equity basis of accounting, includes all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to City Council for the administration of their financial affairs and resources. They include the following:

- (I) City General - activities associated with the provision of conventional municipal services including General Administrative Services, Protective Services (Fire, Police, Disaster Services and 911 Communications) and Public Services (Municipal Works, Community Development, and Parks and Outdoor Recreation).
- (II) Utilities - self supporting activities which provide Electricity, Natural Gas, Water, Sewer and Solid Waste Services. Land and Subdivision Development operations are also treated as a utility for statement purposes.

The City has effective control over the Medicine Hat Public Library and the financial statements of this entity have been consolidated in these financial statements.

The City of Medicine Hat owns the physical assets related to ambulance services. Provision of these services is contracted to the Palliser Health Authority. The contract payment for provision of ambulance service is included with Protective Services expenditures. The value of the physical assets are included in the Consolidated Statement of Financial Position.

School administration is completely independent of City Council and is subject to control by the Provincial Government pursuant to the provisions of the *School Act*. The only relationship between the School Boards and the City is that the City is obligated to provide funds raised by taxes deemed necessary by the Province.

The schedule of taxes levied includes operating requisitions for the Alberta School Foundation, Catholic Board of Education, Cypress View Foundation, and amounts collected for the City Centre Development Agency that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. A schedule of these trust assets is included in Note 18.

Interdepartmental and organizational transactions and balances are eliminated.

Allied Oil & Gas Corp., a wholly owned subsidiary of the City, is accounted for using the modified equity basis, consistent with generally accepted accounting principles for government enterprises.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

(B) FUND ACCOUNTING

Municipal funds for General, Utilities and Land and Subdivision Development consist of the operating, capital and reserve funds. Proceeds from sales of land are recorded as operating fund revenues.

(C) BASIS OF ACCOUNTING

1. Revenues

The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues.

2. Expenditures

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1(H).

(D) GOVERNMENT TRANSFERS

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(E) INVESTMENTS

Portfolio investments purchased by the City of Medicine Hat are recorded at the lower of cost or net realizable value. The cost of investments includes the applicable amortization of premiums and discounts using the present value amortization method.

Investments in government business enterprises are accounted for using the modified equity basis of accounting. Under this basis, the accounting principles of the government business enterprises are not adjusted to conform to the City's accounting policies and inter-organizational transactions and balances are not eliminated.

(F) INVENTORIES

Inventories of materials and supplies, inventories for resale and gas in storage are valued at the lower of cost or net realizable value with cost determined by the average cost method.

(G) LAND FOR RESALE

Cost of land held for resale includes costs related to land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water, sewer, gas, electric, roads, sidewalks and street lighting are recorded as assets under their respective function.

(H) PENSION EXPENDITURE

The City participates in a multi-employer defined benefit pension plan wherein contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due. The plan is accounted for as a defined contribution plan.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

(I) PHYSICAL ASSETS

1. The City has valued General Fund physical assets purchased prior to December 31, 1978, at the net cost to the City and assets purchased and developed subsequent to that date at full cost.
2. Prior to January 1, 1989, all capital expenditures for major repair and maintenance projects were recorded as increases to physical assets. Since that date, capital expenditures of this nature are expensed in the year the expenditure is incurred. Major repairs and maintenance costs expensed in 2003 - \$2,633 (2002 - \$2,077).

Donated assets are recorded at estimated fair market value when acquired.

The City follows the full cost method of accounting for its petroleum and natural gas properties, whereby all costs associated with acquisition and development of petroleum and natural gas reserves are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, cost of drilling both productive and non-productive wells, equipment cost and technical consulting costs directly related to development. The City does not capitalize interest or administrative costs.

Proceeds from the disposition of petroleum and natural gas properties are accounted for as adjustments to the net book value of resource properties, with no gain or loss recognized, unless the disposition would significantly alter the rate of depletion.

Government contributions for the acquisition of physical assets are recorded as a revenue source in the Consolidated Statement of Financial Activities and Consolidated Capital Fund - Schedule 1, and do not reduce the related physical assets costs.

(J) PREPAID LOCAL IMPROVEMENT CHARGES

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

(K) AMORTIZATION

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants has not clarified how to record and report physical assets for local governments; therefore the City has not established a policy for recording amortization as an expenditure for General Fund Operations.

Physical assets in Electric, Water, Sewer, Solid Waste, Land, and non-resource plant, property and equipment in the Gas utility are amortized on a straight line basis over their estimated useful lives. Amortization is not charged to operations but Plant, Property and Equipment and Equity in Physical Assets have been reduced to reflect the amortized balance of Physical Assets. The following rates have been used for this calculation:

Engineering Structures	2.0% to 5.0%
Buildings	2.5% to 3.0%
Machinery, Equipment and Furnishings	5.0% to 10.0%

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

(L) DEPLETION

Oil and gas properties are depleted using the full cost method of amortization. Capitalized costs are amortized on the unit-of-production method based on estimated proven reserves as determined by city engineers. For purposes of this calculation, oil is converted to gas on an energy equivalent basis. Cost of unproved properties are excluded from this calculation until proved reserves are established or until impairment occurs.

In applying the full cost method of accounting, capitalized costs less accumulated depletion are restricted from exceeding an amount equal to the estimated undiscounted future net revenues, based on year end prices (Natural Gas \$4.44/MCF, Oil \$25.00Bbl) less aggregate estimated future general and administrative, and financing costs derived from proven reserves or the cost less impairment of unproved properties.

(M) ALLOWANCES

Allowances for financial asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure.

(N) RESERVES FOR FUTURE EXPENDITURES

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves related to capital and operating fund activities are reflected on the Consolidated Schedules for the Capital, Operating and Reserve Funds.

(O) EQUITY IN PHYSICAL ASSETS

Equity in physical assets represents the net investment in total physical assets, after deducting the portion financed through long-term debt.

(P) JOINT VENTURE ACCOUNTING

Some of the City's production activities related to oil and gas are contracted with other companies. These statements reflect only the City's proportionate interest in such activities.

(Q) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Amounts recorded for depletion and amounts used for the ceiling test calculations, are based on estimates of oil and natural gas reserves and future costs required to develop those reserves. The City's reserve estimates are reviewed every three years, or upon major acquisition, by independent engineering firms. The last reserve analysis was carried out as of December 31, 2002. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the financial statements of future periods may be material.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

(R) OVER-LEVIES AND UNDER-LEVIES

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(S) SITE RESTORATION AND ABANDONMENT – PETROLEUM AND NATURAL GAS SITES

The estimated cost of site restoration and abandonment for petroleum and natural gas properties is based on the current cost and the anticipated method and extent of site restoration in accordance with existing legislation and industry practice. Estimated future site restoration costs are accrued based on a unit-of-production basis of proven reserves for natural gas properties. The annual provision is reported as an expenditure in the operating fund and the accumulated provision is reported as a long term liability.

(T) LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Pursuant to the Alberta Environmental Protection and Enhancement Act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, and landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

NOTE 2: ACCOUNTS RECEIVABLE

(A) TAXES AND BUSINESS IMPROVEMENTS LEVIES RECEIVABLE

	2003	2002
Current Taxes Receivable	\$ 512	\$ 512
Arrears Taxes Receivable	316	314
City Centre Development Agency	5	3
Less: Allowance for Tax Adjustments	(128)	(107)
SUB-TOTAL	\$ 705	\$ 722

(B) ACCOUNTS RECEIVABLE

	2003	2002
Trade Accounts Receivable	\$ 26,692	\$ 31,663
Less: Allowance for Doubtful Accounts	(682)	(630)
SUB-TOTAL	\$ 26,010	\$ 31,033
TOTAL	\$ 26,715	\$ 31,755

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 3: ADVANCES TO SUBSIDIARY

	2003	2002
Unsecured, non-interest bearing advances with no fixed terms of repayment	\$ (77)	\$ 661
Unsecured note, bearing interest at prime plus 1% due on demand	21,347	30,348
TOTAL	\$ 21,270	\$ 31,009

NOTE 4: INVENTORIES FOR RESALE

	2003	2002
Concessions	\$ 53	\$ 40
Gas in Storage	2,895	2,800
Land and Property	18,796	16,212
TOTAL	\$ 21,744	\$ 19,052

NOTE 5: INVESTMENTS, LOANS AND ADVANCES

	2003		2002	
	Cost	Market Value	Cost	Market Value
Federal Government & Agencies	\$ 11,599	\$ 12,021	\$ 8,007	\$ 8,329
Provincial Government & Agencies	46,837	47,704	29,741	30,627
Canadian Banks	7,172	7,675	12,174	12,550
Others	27,806	27,966	4,436	4,475
TOTAL	\$ 93,414	\$ 95,366	\$ 54,358	\$ 55,981

These investments bear interest rates from 2.75% to 10.25% and mature in periods 2004 through 2027. The investments have an average expected yield of 4% and an average term of 4.02 years to maturity.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 6: DEPOSITS AND OTHER ASSETS

	2003	2002
Tax Requisition Over Levies	\$ 167	\$ 184
Postage	2	4
Refundable Containers	44	44
Operating Deposits	97	92
Electric Reels	136	96
Gas Royalty Deposits	678	678
Gas Joint Venture Deposits	167	66
TOTAL	\$ 1,291	\$ 1,164

NOTE 7: ACQUISITION OF ALLIED OIL & GAS CORP.

On October 15, 2001, 912212 Alberta Ltd. was incorporated under the Alberta Business Corporations Act. 912212 Alberta Ltd. is a wholly owned subsidiary of the City.

On January 28, 2002, 912212 Alberta Ltd. completed its step acquisition of 100% of the outstanding shares of Allied Oil & Gas Corp. its wholly owned subsidiary, Backer Petroleum Ltd., and their combined 100% interest in the Allied Partnership. Total cash consideration of \$58,123 net of \$1,364 cash acquired, was determined based on the average market price of Allied Oil & Gas Corp.'s common shares over a one-week period before the terms of the acquisition were announced.

On January 29, 2002 and January 30, 2002, Allied Oil & Gas Corp. disposed of 99% of its interest in Allied Partnership with the City acquiring this interest.

On January 30, 2002, 912212 Alberta Ltd. amalgamated, under the Alberta Business Corporations Act, with Allied Oil & Gas Corp. and Backer Petroleum Ltd. The amalgamated corporation retained the name Allied Oil & Gas Corp. (the "Company").

On February 1, 2002, the Company redeemed a portion of its preferred shares. The redemption was satisfied through the distribution of the remaining 1% interest in Allied Partnership to the City. Effective February 1, 2002, the partnership ceased to exist.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

The following table summarized the estimated fair market value (FMV) of the assets acquired and liabilities assumed at each step purchase date.

	74.10% Nov 25/01 FMV	5.08% Dec 7/01 FMV	20.82% Jan 28/02 FMV	100% Total FMV
Cash	\$	\$ 55	\$ 1,309	\$ 1,364
Other Assets	4,874	229	1,507	6,610
Resource Properties	93,594	6,387	21,535	121,516
TOTAL ASSETS	98,468	6,671	24,351	129,490
Liabilities	35,889	2,387	9,426	47,702
Future Income Tax Liabilities	18,500	1,259	2,542	22,301
TOTAL LIABILITIES	54,389	3,646	11,968	70,003
NET ASSETS ACQUIRED	\$ 44,079	\$ 3,025	\$ 12,383	\$ 59,487

The following table describes the transaction between the City and the Company:

Company Shares Acquired (Redeemed):	# Shares	Value
Class A Preferred Shares – November 25, 2001	44,079	\$ 44,079
Class A Preferred Shares – December 7, 2001	3,025	3,025
	47,104	\$ 47,104
Class A Preferred Shares – January 28, 2002	43,744	43,744
Subscription for Additional Class A Share – January 28, 2002	7,600	7,600
Class A Preferred Shares – January 29, 2002	(71,485)	(71,485)
Class A Preferred Shares – January 30, 2002	(25,973)	(25,973)
Class A Preferred Shares – February 1, 2002	(984)	(984)
DECEMBER 31, 2002 BALANCE	6	\$ 6

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 8: SUBSIDIARY OPERATIONS

The following table provides condensed supplementary financial information reported separately by Allied Oil & Gas Corp. at December 31.

	Dec 31, 2003	Dec 31, 2002
Financial Position		
Current Assets	\$ 8,094	\$ 18,682
Future Income Tax Asset	310	1,198
Resource Properties	7,645	9,739
Total Assets	16,049	29,619
Current Liabilities	5,918	7,999
Advances from City of Medicine Hat	21,347	31,009
Site Reclamation and Abandonment	361	216
Total Liabilities	27,626	39,224
Net Assets (Liabilities)	\$ (11,577)	\$ (9,605)

Net Liabilities are comprised of a deficit of \$10,202, share capital of \$6 and deficit on Related Company Transactions of \$1,381 (2002 – a deficit of \$8,224, share capital of \$6 and a deficit on Related Company Transaction of \$1,381).

During 2002, Allied Oil & Gas Corp. disposed of gas assets for proceeds of \$23,406. The resource properties had a net book value of \$24,428 and a site restoration liability of \$698.

	2003	2002
Results of Operations		
Revenues	\$ 5,124	\$ 6,835
Operating Expenses	4,094	6,578
Cash Flow from Operations	1,030	257
Depletion and Site Restoration	1,982	2,615
Net Loss before Income Tax	(952)	(2,358)
Income Tax Recovery (Expense)	(1,019)	1,198
Net Income (Loss)	(1,971)	(1,160)
Beginning Deficit	(8,230)	(7,070)
Share Capital	6	6
Investment (Loss) in Subsidiary	\$ (10,195)	\$ (8,224)

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

The operation of this government business enterprise has been accounted for using the modified equity method of accounting. These financial statements include the net earnings of Allied Oil & Gas Corp. since the acquisition date.

NOTE 9: ACQUISITION OF ALLIED PARTNERSHIP

As described in Note 7, on January 29, 2002, January 30, 2002 and February 1, 2002, the City acquired 100% of the Company's interest in Allied Partnership from its wholly owned subsidiary Allied Oil & Gas Corp. The following table summarizes the estimated carrying value of the assets and liabilities acquired:

Assets	
Treasury Bills	\$ 7,600
Other Assets	38,521
Resource Properties	93,742
Total Assets	\$ 139,863
Liabilities	
Liabilities	\$ 13,363
Future Income Tax Liability	28,058
Net Assets Acquired	\$ 98,442

As consideration, Allied Oil & Gas Corp. redeemed shares in the amount of \$98,442 held by the City of Medicine Hat.

NOTE 10: PREPAID EXPENSES

	2003	2002
Prepaid Insurance	\$ 554	\$ 489
Prepaid Miscellaneous Expenses	60	275
Prepaid Software License Fee		7
TOTAL	\$ 614	\$ 771

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 11: PLANT, PROPERTY, AND EQUIPMENT

	2003 Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	\$ 14,222		\$ 14,222	\$ 13,824
Buildings	104,536	3,631	100,905	93,167
Engineering Structures	515,113	124,716	390,397	366,329
Gas and Oil Properties	507,346	261,536	245,810	238,466
Machinery, Equipment and Furnishings	36,015	8,809	27,206	26,672
Vehicles	36,920		36,920	35,418
TOTAL	\$ 1,214,152	\$ 398,692	\$ 815,460	\$ 773,876

During 2003, the City entered into an agreement to exchange assets with EOG Resources. The aggregate value of the assets received was \$2,593 and the assets transferred to EOG Resources were \$3,025. The City also sold assets for \$1,800 to Spiral Resources.

In 2001, the City sold to 912212 Alberta Ltd., a wholly owned subsidiary of the City, its rights in the "Unit Agreement Medicine Hat Glauconite "C" Unit" for an amount of \$11,515.

The City also entered into an agreement in 2001 to exchange assets with Anadarko Canada Corporation. The aggregate value of assets received was \$22,200 and the assets transferred from the City were \$22,200.

The Electric Utility has classified #9 Combustion Turbine as "Assets Held for Resale" in accordance with section 3175 of the Canadian Institute of Chartered Accountants handbook. This asset was decommissioned and removed from service in 2003. Negotiation with a purchaser has commenced and the sale is highly probable in 2004 for the sale of Unit #9. The initial negotiations reflects that the sales price will be greater than the carrying value of the asset. The carrying value of the asset is:

Gross Asset Cost	\$12,114
Accumulated Amortization	<u>11,364</u>
Net Book Value	\$ 750

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

Annual depletion and amortization amounts reflected in Plant, Property and Equipment and Equity in Physical Assets are as follows:

	2003	2002
Buildings	\$ 217	\$ 210
Engineering Structures	9,014	3,994
Gas and Oil Properties	30,856	26,422
Machinery, Equipment and Furnishings	644	613
TOTAL AMORTIZATION AND DEPLETION	\$ 40,731	\$ 31,239

NOTE 12: ACCRUED LIABILITIES

	2003	2002
Accrued Wages and Salaries	\$ 2,490	\$ 2,538
Vacation Pay	2,899	2,672
Accrued Interest on Long Term Debt	3,681	3,354
Deposits	1,122	1,061
Deferred Revenue	2,657	2,785
Deferred Charges	379	1,511
Accrued Royalties	4,492	2,353
Other Payables	4,753	1,212
TOTAL	\$ 22,473	\$ 17,486

NOTE 13: SHORT-TERM DEBT

A Municipal Revolving Line of Credit (Variable Rate or Guaranteed Note) is available to the City up to a maximum of \$65,000. The Guaranteed Notes are secured by Bylaw 3394.

A Variable Rate Line of Credit under this Municipal Revolving Line of Credit is available at a rate of Prime less .25%. This Variable Rate Line of Credit is secured by Bylaw 3394 and a Demand Promissory Note.

NOTE 14: LONG-TERM DEBT

(A)

	2003	2002
Tax Supported Debentures	\$ 25,205	\$ 21,916
Utilities		
- Electric	67,329	55,911
- Gas	22,157	25,219
- Water	20,622	28,229
- Sewer	19,245	11,429
- Solid Waste	1,691	1,787
	131,044	122,575
TOTAL DEBENTURE DEBT	\$ 156,249	\$ 144,491

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

(B) DEBT PER CAPITA

(not in thousands of dollars)

	2003	2002
Tax Supported Debentures	\$ 492	\$ 428
Utilities	2,557	2,392
TOTAL	\$ 3,049	\$ 2,820

(C) EXPECTED FUTURE INTEREST AND PRINCIPAL PAYMENTS ARE AS FOLLOWS:

	Principal	Interest
2004	11,827	10,776
2005	11,870	9,900
2006	11,597	9,043
2007	11,758	8,240
2008	12,268	7,438
2009-2026	96,929	38,707
TOTAL	\$ 156,249	\$ 84,104

The debentures mature in annual amounts to the year 2026 and interest is payable at rates ranging from 4.375% to 12.0% per annum before Provincial Subsidy, and mature in periods 2004 through 2026. The average annual interest rate is 7.34% for 2003 (7.74% for 2002). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5% depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Medicine Hat.

Interest on long-term debt paid in 2003 was \$10,295 (2002 \$9,968).

- (D) The Minister of Municipal Affairs has prescribed total debt and debt servicing limits for municipalities in the province. On December 1, 2000, the City of Medicine Hat received ministerial approval to have the debt and debt servicing limits increased. The debt limit was increased to 2 times revenue from 1.5 times revenue, and the debt-servicing limit was increased to .35 times revenue from .25 times revenue.

	2003	2002
Total Debt Limit	\$ 537,272	\$ 432,524
Actual Debt (Long and Short Term Debt)	157,099	155,197
AMOUNT UNDER LIMIT	\$ 380,173	\$ 277,327
Debt Servicing Limit	\$ 94,023	\$ 75,692
Actual Debt Servicing (Long and Short Term Debt)	22,603	31,005
AMOUNT UNDER LIMIT	\$ 71,420	\$ 44,687

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 15: OTHER LONG TERM DEBT

The City of Medicine Hat owes Palliser Health Authority \$302 for the construction of ambulance facilities at the Medicine Hat Regional Hospital. The debt matures in 2011 and interest is payable at 10.625%. Annual payments are \$58. This debt is unsecured.

NOTE 16: OTHER LONG TERM LIABILITIES

(A)

	2003	2002
Offsite Contributions	\$ 3,320	\$ 2,305
Gas Site Restoration & Abandonment	20,642	18,399
Sanitary Landfill - Site Restoration & Abandonment	467	458
TOTAL OTHER LONG TERM LIABILITIES	\$ 24,429	\$ 21,162

(B) The accrued liability for closure and post-closure costs of the City's Landfill is recognized over the life of the cells, using the net present value of the total estimated costs of closure and post-closure care, prorated on the basis of the current air space utilized (in cubic metres), over the total estimated air space of the site. The net present value of the estimated closure and post closure costs was calculated using a rate of return equal to 5.309% assuming inflation of 1.6%.

(C) The following summarizes the total net present value for the estimated costs of Sanitary Landfill closure and post-closure care:

Estimated Closure Costs	\$ 726
Estimated Post-Closure Costs	137
Estimated Total Costs	863
Amount Accrued to December 31, 2003	(467)
BALANCE OF ESTIMATED COSTS TO ACCRUE	\$ 396

The site has approximately 2,853,000 cubic metres of air space remaining. With an estimated annual utilization of 62,000 cubic metres, increasing at approximately 3% per year, the landfill has approximately 28 years of life remaining. It is estimated that post-closure care should be required for a period of 25 years. The City has not designated assets for settling closure or post-closure liabilities.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 17: RESERVES

	Balance Jan 01/2003	2003 Additions	2003 Deductions	Balance Dec 31/ 2003
Employee Development	\$ 248	\$ 70	\$ 18	\$ 300
Victim Assistance	11			11
Second Street Properties	267		86	181
Information Systems	10			10
Fleet Replacement	2,891	2,818	2,622	3,087
Infrastructure	4,727	3,957	2,732	5,952
Esplanade	15,000	12,617	6,012	21,605
Electric Facility & Equipment	1,985		1,714	271
Gas Depletion Reserve	38,621	69,824	27,204	81,241
SUB TOTAL	63,760	89,286	40,388	112,658
Equity (Deficit) in Subsidiary	(6,849)	(1,971)		(8,820)
Library Reserves	91	28		119
Internal Loan Contra Reserve	(30,998)	4,606	1,909	(28,301)
TOTAL RESERVES	\$ 26,004	\$ 91,949	\$ 42,297	\$ 75,656

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 11: PLANT, PROPERTY, AND EQUIPMENT

	2003 Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	\$ 14,222		\$ 14,222	\$ 13,824
Buildings	104,536	3,631	100,905	93,167
Engineering Structures	515,113	124,716	390,397	366,329
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Vehicles	36,920		36,920	35,418
TOTAL	\$ 1,214,152	\$ 398,692	\$ 815,460	\$ 773,876

During 2003, the City entered into an agreement to exchange assets with EOG Resources. The aggregate value of the assets received was \$2,593 and the assets transferred to EOG Resources were \$3,025. The City also sold assets for \$1,800 to Spiral Resources.

In 2001, the City sold to 912212 Alberta Ltd., a wholly owned subsidiary of the City, its rights in the "Unit Agreement Medicine Hat Glauconite "C" Unit" for an amount of \$11,515.

The City also entered into an agreement in 2001 to exchange assets with Anadarko Canada Corporation. The aggregate value of assets received was \$22,200 and the assets transferred from the City were \$22,200.

The Electric Utility has classified #9 Combustion Turbine as "Assets Held for Resale" in accordance with section 3175 of the Canadian Institute of Chartered Accountants handbook. This asset was decommissioned and removed from service in 2003. Negotiation with a purchaser has commenced and the sale is highly probable in 2004 for the sale of Unit #9. The initial negotiations reflects that the sales price will be greater than the carrying value of the asset. The carrying value of the asset is:

Gross Asset Cost	\$12,114
Accumulated Amortization	11,364
Net Book Value	\$ 750

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 19: SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by provincial regulation 313/2000 is as follows:

	Salary	Benefits & Allowances	Total 2003	Total 2002
Mayor Vallely	\$ 48	\$ 37	\$ 85	\$ 80
Aldermen:				
Craven, W.	17	17	34	30
Cocks, W.	17	18	35	32
Friesen, J.	17	17	34	30
Dumanowski, R.	17	14	31	29
Hamill, J.	17	18	35	30
Roset, D.	17	22	39	30
Smith, C.	17	16	33	29
Speers, H.	17	17	34	30
Chief Administrative Officer	156	23	179	165
Designated Officers	621	74	695 (6)	553 (5)

- (1) Salary includes regular base pay.
- (2) Benefits and Allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, Employment Insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, expense allowances, car allowances, per diem payments, gross honoraria, travel allowances and professional memberships and tuitions.

NOTE 20: LOCAL AUTHORITIES PENSION PLAN

Employees of the City of Medicine Hat, with the exception of Police Officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. LAPP serves about 133,000 people and 389 employers. The Police Officers are members of the Special Forces Pension Plan (SFPP). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

The City of Medicine Hat is required to make current service contributions to the Local Authorities Pension Plan of 5.025% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 6.9% for the excess. With regard to the Special Forces Pension Plan, the City of Medicine Hat is required to make current service contributions of 9.8%.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 18: TRUST FUNDS

The City of Medicine Hat records as Funds Held in Trust all monies received on behalf of third parties. These monies are controlled, invested and accounted for in accordance with the terms of the trust arrangements. Trust investments are in temporary investments in money market instruments such as term deposits, treasury bills, and commercial paper. Investments are recorded at the lower of original cost or market value. The cost of these investments at December 31, 2003 is \$8,628 (2002 - \$9,786). Trust investments and liabilities are not included in the City's statements.

A summary of Trust fund activities by the City of Medicine Hat are as follows:

	Balance Jan 1/2003	Additions	Interest Earnings	Reductions	Balance Dec 31/2003
TRUST FUNDS ADVANCED FROM THE PROVINCE OF ALBERTA UNDER COST SHARING AGREEMENTS					
Basic Capital	\$ 4,606	\$ 5,035	\$ 131	\$ 6,983	\$ 2,789
Esplanade Grant	3,196		100		3,296
	7,802	5,035	231	6,983	6,085
OTHER TRUSTS					
Cemetery - Perpetual Care	1,423	84	97	170	1,434
Seniors Foundation	14	8		5	17
Police Department Exhibit Recovery	10	3			13
Museum Building Exhibition	121		4		125
Art Gallery Acquisition	12	3			15
Donna MacLean Museum Trusts	3			3	
Museum Special Projects	14	40			54
Pitch Trust	1				1
Tax Forfeitures	41		1		42
Medicine Hat Senior Sport & Culture	137	56	6	21	178
2002 South Alberta Winter Games	61	22	1	56	28
Roblyn Enterprises - Ross Creek		2			2
Bell West		180	2		182
Esplanade Donations		287		55	232
Saamis Heights Town Ctr Park	50	120	2		172
2002 AB Winter Games Legacy Grant	50			50	
Northlands Waterline Warranty	47		1		48
	1,984	805	114	360	2,543
TOTAL TRUST FUNDS	\$ 9,786	\$ 5,840	\$ 345	\$ 7,343	\$ 8,628

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 19: SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by provincial regulation 313/2000 is as follows:

	Salary	Benefits & Allowances	Total 2003	Total 2002
Mayor Valley	\$ 48	\$ 37	\$ 85	\$ 80
Aldermen:				
Craven, W.	17	17	34	30
Cocks, W.	17	18	35	32
Friesen, J.	17	17	34	30
Dumanowski, R.	17	14	31	29
Hamill, J.	17	18	35	30
Roset, D.	17	22	39	30
Smith, C.	17	16	33	29
Speers, H.	17	17	34	30
Chief Administrative Officer	156	23	179	165
Designated Officers	621	74	695 (6)	553 (5)

- (1) Salary includes regular base pay.
- (2) Benefits and Allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, Employment Insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, expense allowances, car allowances, per diem payments, gross honoraria, travel allowances and professional memberships and tuitions.

NOTE 20: LOCAL AUTHORITIES PENSION PLAN

Employees of the City of Medicine Hat, with the exception of Police Officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. LAPP serves about 133,000 people and 389 employers. The Police Officers are members of the Special Forces Pension Plan (SFPP). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

The City of Medicine Hat is required to make current service contributions to the Local Authorities Pension Plan of 5.025% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 6.9% for the excess. With regard to the Special Forces Pension Plan, the City of Medicine Hat is required to make current service contributions of 9.8%.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

Total current service contributions by the City of Medicine Hat to LAPP and SFPP in 2003 were \$2,948 (2002 – \$2,416). Total current service contributions by the employees for 2003 were \$2,285 (2002 – \$2,101).

At December 31, 2002 LAPP disclosed an actuarial surplus of \$635,000.

At December 31, 2001 SFPP disclosed an actuarial deficit of \$103,600.

NOTE 21: OPERATING FUND

The Operating Fund balance as shown on the Consolidated Statement of Financial Position represents accumulated surpluses (deficits) from operations, which have not been designated by City Council for any specific use.

The General Fund policy directs that special one-time grants and any surplus in the General Operating Fund not required in order to maintain the operating fund target balance of 7% of prior years budgeted gross expenditures be transferred to the Infrastructure Reserve. The 2003 transfer to the Infrastructure Reserve of \$3,957 is comprised of the budgeted transfer of \$2,990 and \$967 in surplus funds, which were in excess of the target balance requirement.

The Electric Operating Fund policy directs that surplus in excess of 7% of prior years budgeted gross expenditures will be transferred to the Electric Facility and Equipment Reserve at the end of the current year. In 2003, the Electric Utility did not have enough surplus to meet its target balance.

With respect to the Gas Utility, policy directs that surplus in excess of 7% of prior years budgeted gross expenditures be transferred to the Gas Depletion Reserve at the end of the current year. In 2003, the Gas Utility reported an excess surplus of \$67,853, which was transferred to the Gas Depletion Reserve.

NOTE 22: OPERATING COMMITMENTS

The City of Medicine Hat is committed to purchase natural gas and electrical energy under existing purchase contracts. The commitment for 2004 is \$1,171 (Gas) and \$6,893 (Electric).

The City of Medicine Hat is also committed to the lease of office space as a result of the Allied Oil & Gas Corp. acquisition, with the estimated minimum annual payment as follows:

YEAR	AMOUNT
2004	\$144
2005	\$126

NOTE 23: CAPITAL COMMITMENTS

(A) 2003 CAPITAL BUDGET

Following guidelines set out by the Public Sector Accounting Board, the budget reported on the Consolidated Statement of Financial Activities and Consolidated Capital Fund is the 2003 approved Capital Budget. The actual expenditures reported include incomplete capital projects in the amount of \$58,571 carried forward from previous budget years, as well as costs related to the 2003 Budget.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

(B) INCOMPLETE CAPITAL PROJECTS

As at December 31, 2003 a number of capital projects were in progress and will be completed in 2004 or subsequent years. The unexpended appropriation related to these projects is \$56,273. Major projects included in this total are: Subdivision Development - \$3,520, 10th Ave. SW Upgrade - \$4,352, The Esplanade - \$32,747 and Emergency Services Building - \$2,885.

(C) 2003 CAPITAL IMPROVEMENT PLAN

In December 2003, City Council approved the 2004-2008 Utilities Capital Improvement Plan. Subsequent to December 31, 2003, City Council approved the 2004 - 2006 General Government Capital Improvement Plan. The total for all Projects is as follows:

2004	\$ 86,749
2005	71,158
2006 Projections	96,440
TOTAL	\$ 254,347

Financing sources identified for 2004 projects are:

Government Grants	\$ 678
Current Revenues	27,985
Debentures	
Tax Supported	1,850
Utilities	14,525
Reserves	36,240
Direct Charges & Other	5,471
TOTAL	\$ 86,749

NOTE 24: CONTINGENT LIABILITIES

Various claims have been made against the City as at December 31, 2003. While it is impossible to determine the ultimate liability, if any, with respect to these claims, the City Solicitor does not believe that these claims will have a materially adverse effect on the financial position of the City in any given year, with the following possible exception.

The City has been named as a third party in lawsuits filed by seven workers who are claiming they were harmed by workplace exposure to methanol. The City is disputing the claims, and as the quantum and outcome of the lawsuits are not determinable at this time, no amount has been accrued in the financial statements.

NOTES FOR THE YEAR ENDED DECEMBER 31, 2003

(In Thousands of Dollars)

NOTE 25: FINANCIAL INSTRUMENTS

The City as part of its operations carries a number of financial instruments. It is management's opinion the City is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

NOTE 26: COMPARATIVE FIGURES

Comparative figures have been restated, where necessary, to conform to the current year presentation.

FINANCIAL
AND
STATISTICAL
HIGHLIGHTS



CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003
(In thousands of dollars)

	2003 BUDGET (UNAUDITED)	2003 ACTUAL	2002 ACTUAL	2001 ACTUAL
REVENUE				
NET TAXES (Schedule 4)	\$ 23,568	\$ 23,740	\$ 21,605	\$ 19,364
SALE OF SERVICES				
General Government	5,046	5,220	5,177	4,674
Gas	137,651	129,178	96,188	112,707
Electric	49,289	53,687	47,778	74,475
Water	6,762	7,493	6,568	7,187
Sewer	5,446	5,641	5,561	5,261
Solid Waste	3,535	5,490	4,576	3,903
Land and Subdivision Development	14,120	16,203	15,050	11,183
Medicine Hat Public Library	84	109	86	87
OTHER INCOME				
Investment	558	4,654	5,338	5,292
Income (Loss) from Subsidiary (Note 8)	389	(1,971)	(8,485)	256
Licences, Fines and Penalties	3,225	3,713	3,570	3,186
Insurance Recoveries	63	118	100	102
Developers Levies	1,464	1,547	1,994	1,381
Proceeds from Sale of Assets (Note 11)		4,850		33,715
Other	4,301	6,041	6,011	4,424
GOVERNMENT TRANSFERS (Schedule 5)				
Municipal Assistance Grant	1,237	1,237	1,237	1,237
Grants - Federal and Provincial	2,739	7,300	14,677	5,018
Debenture Interest Subsidy	100	75	98	124
TOTAL REVENUE	259,577	274,325	227,129	293,576
EXPENDITURES (Schedule 6)				
General Government	66,680	82,026	81,982	62,082
Gas	121,716	97,685	151,116	105,174
Electric	33,703	50,373	43,216	46,304
Water	5,193	4,456	4,559	6,379
Sewer	5,741	7,087	9,088	7,739
Solid Waste	2,665	3,392	3,068	2,833
Land and Subdivision Development	10,152	6,826	3,810	2,759
Medicine Hat Public Library	1,561	1,641	1,620	1,417
TOTAL EXPENDITURES	247,411	253,486	298,459	234,687
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	12,166	20,839	(71,330)	58,889
Debt Issued	7,012	22,488	18,922	7,831
Debt Repayment	(10,943)	(10,731)	(10,725)	(37,014)
Contributed Surplus			1,381	
CHANGE IN FUND BALANCES	\$ 8,235	\$ 32,596	\$ (61,752)	\$ 29,706

The accompanying notes are an integral part of these financial statements.

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 1999- 2003
(In Thousands of Dollars)

CONSOLIDATED EXPENDITURE BY OBJECT

	2003	2002	2001	2000	1999
Salaries, Wages & Benefits	\$ 60,393	\$ 56,688	\$ 52,711	\$ 49,418	\$ 45,936
Contracted & General Services	27,485	19,247	17,083	14,646	14,557
Materials, Goods & Utilities	32,731	31,171	39,176	37,001	22,061
Provisions for Allowances	215	404	282	250	397
Bank Charges & Short Term Interest	74	927	106	80	52
Interest on Long Term Debt	10,587	9,856	10,862	12,898	13,825
Physical Assets Acquired	92,266	164,538	94,503	59,609	88,070
Other Operating Expenditures	26,685	13,183	17,971	16,985	12,804
Grants and Other Transfers	417	368	331	298	347
Other Capital Expenditures	2,633	2,077	1,662	1,240	741
TOTAL EXPENDITURES	\$ 253,486	\$ 298,459	\$ 234,687	\$ 192,425	\$ 198,790

CONSOLIDATED SCHEDULE OF CAPITAL FINANCING & EXPENDITURES

	2003	2002	2001	2000	1999
REVENUES					
Government Transfers	\$ 5,506	\$ 12,598	\$ 2,786	\$ 1,931	\$ 2,374
Developers Levies	980	1,990	1,381	2,000	1,259
Proceeds from Sale of Assets	4,850		33,715		
Other	1,323	1,179	1,023	846	665
Reserves	37,266	123,660	51,379	17,128	14,213
Operations	17,033	16,483	(560)	36,227	27,666
Debt	22,488	18,922	7,831	3,912	43,445
TOTAL FINANCING	89,446	174,832	97,555	62,044	89,622
EXPENDITURES					
Engineering Structures	77,095	152,605	86,234	43,625	68,693
Buildings	9,376	4,867	2,587	3,151	10,526
Machinery & Equipment	2,123	2,188	1,797	8,498	4,788
Land	311	581	1,427	135	241
Mobile Equipment	2,899	4,300	2,344	3,647	3,821
Non - Asset Increasing	3,094	2,076	1,776	1,784	741
TOTAL EXPENDITURES	94,898	166,617	96,165	60,840	88,810
SURPLUS	\$ (5,452)	\$ 8,215	\$ 1,390	\$ 1,204	\$ 812

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 1999 - 2003

(In Thousands of Dollars)

LONG-TERM DEBT

LONG-TERM DEBT	2003	2002	2001	2000	1999
Debt Supported by Taxes	\$ 24,903	\$ 21,591	\$ 20,736	\$ 20,869	\$ 22,140
Debt Supported by Utilities	131,044	122,575	115,213	144,234	154,389
TOTAL DEBT	\$ 155,947	\$ 144,166	\$ 135,949	\$ 165,103	\$ 176,529

DEBT PER CAPITA (not in thousands of dollars)	2003	2002	2001	2000	1999
Tax Supported	\$ 486	\$ 421	\$ 405	\$ 416	\$ 441
Utility Supported	2,557	2,392	2,248	2,875	3,078
TOTAL DEBT PER CAPITA	\$ 3,043	\$ 2,813	\$ 2,653	\$ 3,291	\$ 3,519

LONG-TERM DEBT CHARGES AS

A % OF TOTAL EXPENDITURES	2003	2002	2001	2000	1999
Debt Charges	\$ 21,318	\$ 20,560	\$ 47,876	\$ 28,244	\$ 25,597
Total Operating Expenditures	158,583	131,842	138,522	131,586	109,980
PERCENTAGE	13.44%	15.59%	34.56%	21.46%	23.27%

LEGAL DEBT LIMIT	2003	2002	2001	2000	1999
Total Debt Limit	\$ 537,272	\$ 432,524	\$ 581,282	\$ 522,700	\$ 260,328
Actual Debt	156,797	154,872	155,717	165,103	176,529
AMOUNT UNDER LIMIT	\$ 380,475	\$ 277,652	\$ 425,565	\$ 357,597	\$ 83,799
Percentage Used	29.18%	35.81%	26.79%	31.59%	67.81%

DEBT SERVICING LIMIT	2003	2002	2001	2000	1999
Debt Servicing Limit	\$ 94,023	\$ 75,692	\$ 101,724	\$ 91,473	\$ 43,388
Actual Debt Servicing	22,545	30,968	39,961	28,221	28,740
AMOUNT UNDER LIMIT	\$ 71,478	\$ 44,724	\$ 61,763	\$ 63,252	\$ 14,648
Percentage Used	23.98%	40.91%	39.28%	30.85%	66.24%

* During 2001, \$20,444 in long-term debt was retired before maturity date.

** On December 1, 2000, the City of Medicine Hat received Ministerial Approval to have the debt limits increased to 2 times revenue from 1.5 times revenue. 2000 and 2001 reflect this change.

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 1999 - 2003

(In Thousands of Dollars)

SUMMARY OF OGERATINP AND RESERVE FUND BALANCES

OPERATING FUNDS	2003	2002	2001	2000	1999
General	\$ 5,498	\$ 5,152	\$ 4,631	\$ 4,541	\$ 5,252
Gas	6,587	4,804	4,384	3,718	3,161
Electric	(2,034)	4,185	3,789	3,109	4,719
Water	(770)	(344)	329	(443)	(957)
Sewer	(872)	(5)	263	1,108	426
Solid Waste	1,517	721	497	231	366
Land & Subdivision Development	12,869	19,886	10,920	6,061	7,349
TOTAL OPERATING FUNDS	22,795	34,399	24,812	18,325	20,316
RESERVE FUNDS					
Cultural Centre					43
Arts & Heritage Centre	21,605	15,000	49	49	
Employee Training	300	248	191	398	220
Victim Assistance	11	11	5	13	12
RRAP					27
Infrastructure	5,952	4,727	2,751	4,175	
Second Street Properties	181	267	267	335	335
Computer Equipment	10	10	10	10	10
Fleet Replacement	3,087	2,891	2,717	769	1,273
Gas Depletion	81,241	38,621	117,446	64,489	49,993
Electric Debt Retirement				20,444	
Electric Facilities and Equipment	271	1,985	3,070		
Equity in Subsidiary Company	(8,820)	(6,849)			
Library	119	91	111	95	103
SUB-TOTAL RESERVES	103,957	57,002	126,617	90,777	52,016
Internal Loans Contra	(28,301)	(30,998)	(21,059)	(6,599)	(26,209)
TOTAL RESERVES	75,656	26,004	105,558	84,178	25,807
TOTAL RESERVES & SURPLUS	\$ 98,451	\$ 60,403	\$ 130,370	\$ 102,503	\$ 46,123

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 1999 - 2003

TAXATION & ASSESSMENT

MILL RATES

	2003	2002	2001	2000	1999
MUNICIPAL					
Single Family	4.908	5.164	5.508	5.508	5.508
Apartments	5.734	6.070	7.713	7.713	7.713
Farmland	10.209	10.133	9.779	9.779	9.779
Commercial & Industrial	12.765	11.932	11.881	11.881	11.881
EDUCATION					
Single Family	4.354	4.674	5.251	6.400	6.817
Apartments	4.354	4.674	5.251	6.400	6.817
Farmland	4.354	4.674	5.251	6.400	6.817
Commercial & Industrial	7.669	7.580	7.643	9.116	9.531
OTHER					
Single Family	0.066	0.066	0.067	0.065	0.069
Apartments	0.066	0.066	0.067	0.065	0.069
Farmland	0.066	0.066	0.067	0.065	0.069
Commercial & Industrial	0.066	0.066	0.067	0.065	0.069

PROPERTY TAXES LEVIED

(In Thousands of Dollars)

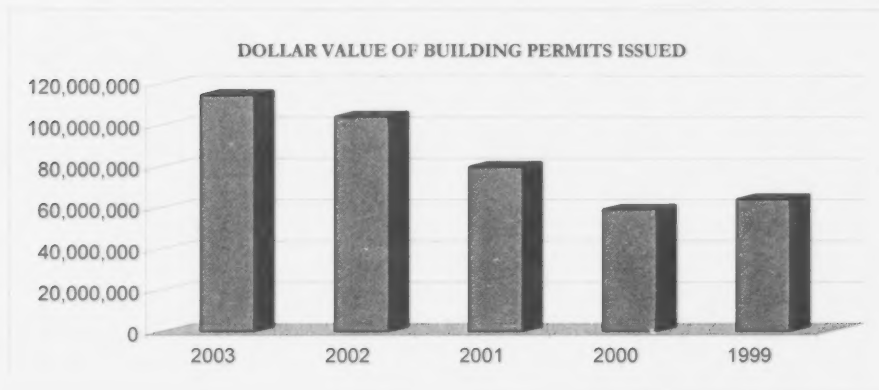
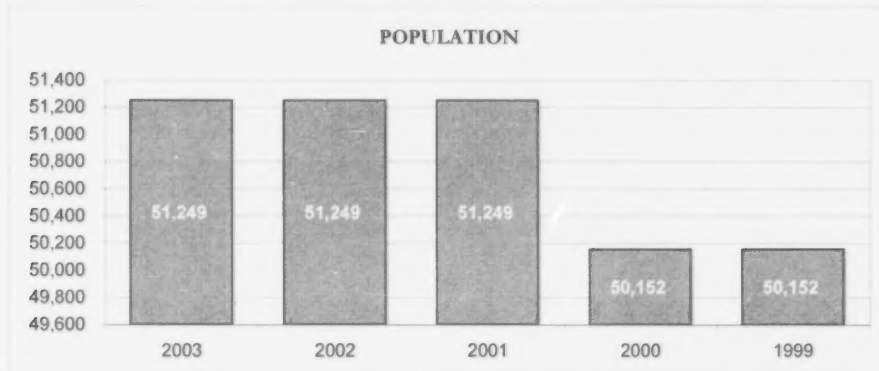
PROPERTY TAX LEVY	2003	2002	2001	2000	1999
Municipal	\$ 23,740	\$ 21,423	\$ 19,364	\$ 19,257	\$ 17,134
Education	16,981	16,315	15,727	18,570	18,221
Other	226	206	183	172	164
TOTAL REAL PROPERTY	40,947	37,944	35,274	37,999	35,519
Business Improvement Levy	89	96	96	89	131
TOTAL TAXES LEVIED	\$ 41,036	\$ 38,040	\$ 35,370	\$ 38,088	\$ 35,650
Current Taxes Collected	\$ 40,524	\$ 37,526	\$ 34,952	\$ 37,603	\$ 35,131
% of Current Taxes Collected	98.75%	98.65%	98.82%	98.73%	98.54%
OTHER MAJOR TAXES LEVIES	2003	2002	2001	2000	1999
Linear Property Taxes	\$ 2,252	\$ 2,668	\$ 2,494	\$ 3,328	\$ 2,403
Government Grants in Lieu of Property Taxes	1,258	1,184	1,111	1,203	1,234
TOTAL MAJOR TAX LEVIES	\$ 3,510	\$ 3,852	\$ 3,605	\$ 4,531	\$ 3,637

ASSESSED VALUE FOR GENERAL MUNICIPAL PURPOSES

	2003	2002	2001	2000	1999
Residential	\$ 2,682,303,890	\$ 2,303,154,818	\$ 1,992,021,650	\$ 1,888,145,000	\$ 1,718,996,510
Multi-Family	150,436,471	128,151,634	94,251,120	93,464,920	81,484,035
Farmland	5,217,012	4,980,057	4,822,280	5,313,060	4,508,930
Commercial & Industrial	723,237,891	698,890,212	639,557,630	650,206,380	603,482,181
TOTAL TAXABLE ASSESSMENT	\$ 3,561,195,264	\$ 3,135,176,721	\$ 2,730,652,680	\$ 2,637,129,360	\$ 2,408,471,656

FINANCIAL & STATISTICAL SCHEDULES(Unaudited)
FOR THE YEARS ENDED DECEMBER 31, 1999 - 2003

DEMOGRAPHICS & OTHER INFORMATION

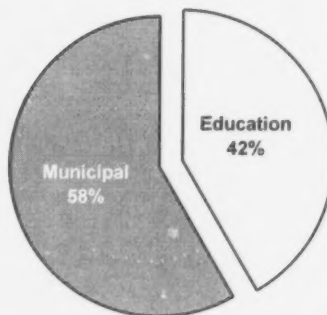


OTHER

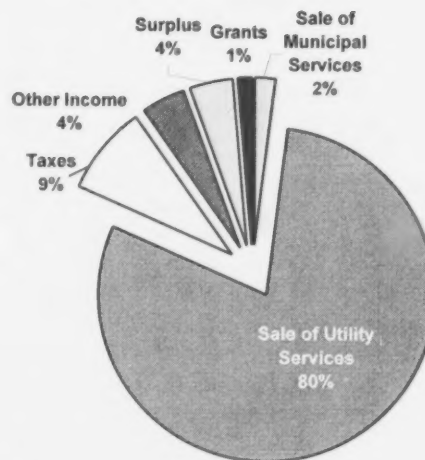
	2003	2002	2001	2000	1999
Area, Square Kilometres	12,027	12,027	12,027	12,027	12,027
Km of Wastewater Mains	361	349	356	352	343
Km of Water Mains	389	381	376	372	361
Km of Storm Drainage Mains	194	190	171	169	166

Financial Synopsis 2003

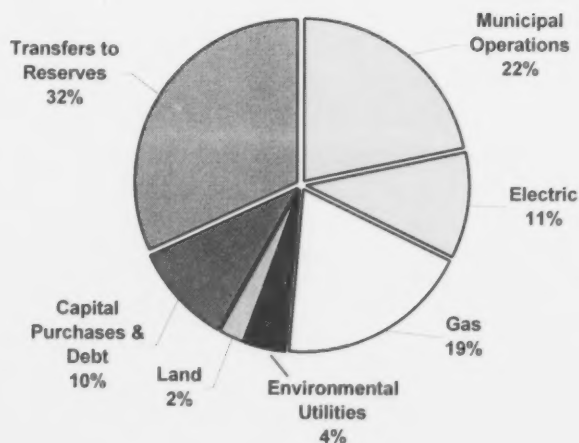
Where our Tax Dollars Went in 2003
Education/
Municipal
Property Tax



Where the Money Comes From
\$273,265 Million



Where the Money Goes
\$273,265 Million



Financial Comparison 2003, 2002, 2001, 2000

Consolidated Balance Sheet (in Thousands of Dollars)

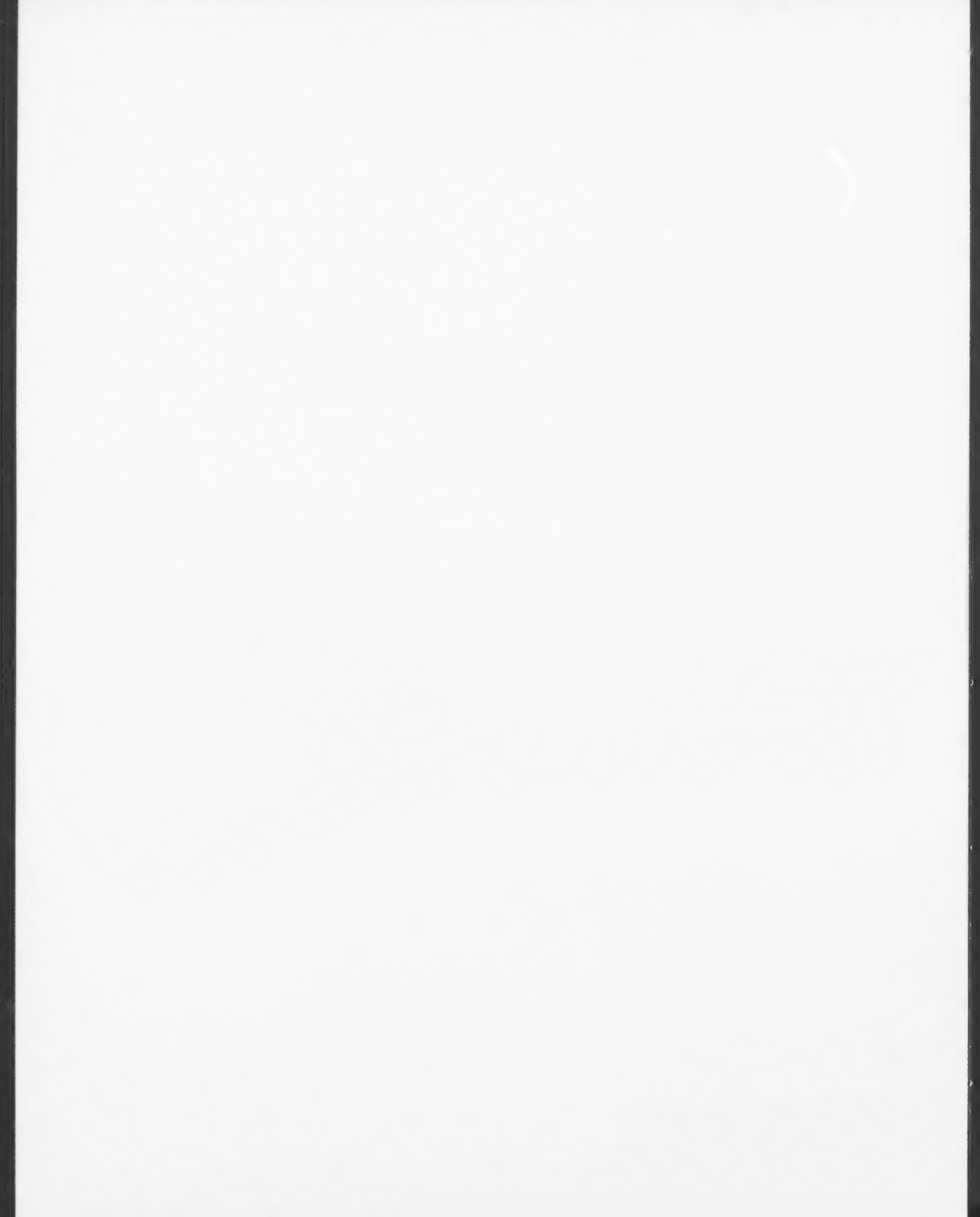
Assets	2003	2002	2001	2000
Cash & Investments	95,044	55,084	81,871	89,808
Investment In Subsidiary			47,360	
Advances to Subsidiary	21,270	31,009	11,515	
Accounts Receivable	26,715	31,755	21,536	35,059
Inventory & Supplies	8,739	8,889	8,296	10,097
Inventories for Resale	21,744	19,052	18,433	14,541
Other Assets	1,291	1,164	1,137	538
Prepaid Expenses	614	771	6,688	1,205
Capital Assets	815,460	773,876	655,623	629,889
	<u>990,877</u>	<u>921,600</u>	<u>852,459</u>	<u>781,137</u>

Liabilities	2003	2002	2001	2000
Payables	11,628	16,773	10,008	12,077
Accrued Liabilities	22,473	17,486	15,508	19,179
Short-Term Debt		9,984	19,809	
Long-Term Debt	156,249	144,492	136,295	165,469
Other Long-Term Liabilities	24,429	21,162	15,910	13,657
	<u>214,779</u>	<u>209,897</u>	<u>197,530</u>	<u>210,382</u>
Loss In Subsidiary	10,195	8,224		
Equity				
Equity In Capital Assets	667,452	643,076	524,559	468,252
Surplus & Reserves	98,451	60,403	130,370	102,503
	<u>765,903</u>	<u>703,479</u>	<u>654,929</u>	<u>570,755</u>
	<u>990,877</u>	<u>921,600</u>	<u>852,459</u>	<u>781,137</u>

Operating Revenue and Expenditures (in thousands of dollars)

Revenue From:	2003	2002	2001	2000
Taxes	40,947	37,947	35,370	38,088
Less - Requisitions	<u>(17,207)</u>	<u>(16,342)</u>	<u>(16,006)</u>	<u>(18,831)</u>
	23,740	21,605	19,364	19,257
Sale of Services				
General Government	5,220	5,177	4,674	4,194
Electric	53,687	47,778	74,475	93,036
Gas	129,178	96,188	112,707	101,268
Environmental Utilities	18,625	16,705	16,351	15,397
Land	16,203	15,050	11,183	5,748
MH Public Library	109	86	87	94
Other Income				
Investment Income	4,654	5,338	5,292	3,690
Investment(Loss) in Subsidiary	<u>(1,971)</u>	<u>(8,485)</u>	<u>256</u>	
Licenses, Fines & Penalties	3,713	3,570	3,186	2,742
Other	4,834	4,939	3,503	7,977
Senior Government Transfers	3,669	3,411	3,593	3,264
Surplus	<u>11,604</u>			<u>1,991</u>
	<u>273,265</u>	<u>211,362</u>	<u>254,671</u>	<u>258,658</u>

Spent On:	2003	2002	2001	2000
General Government	57,474	54,182	50,058	45,977
Electric	29,457	22,807	24,734	21,553
Gas	52,338	39,566	49,501	52,159
Environmental Utilities	11,265	10,056	10,270	9,766
Land	6,657	3,926	2,758	951
MH Public Library	1,392	1,305	1,201	1,180
Capital Purchase & Debt	27,764	27,208	36,454	51,573
Transfer To Reserves	86,918	44,106	73,208	75,499
Surplus		8,206	6,487	
	<u>273,265</u>	<u>211,362</u>	<u>254,671</u>	<u>258,658</u>



For additional copies of the 2003 Annual Report please
call the Chief Administrative Officer
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www.medicinehat.ca

Thank you to all the employees and residents who agreed to
have their photographs taken for this document.
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Jeff Noon of Cleer Concepts and Design.

CITY HALL

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The Gas City

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